The first Labour government and the Civil Service

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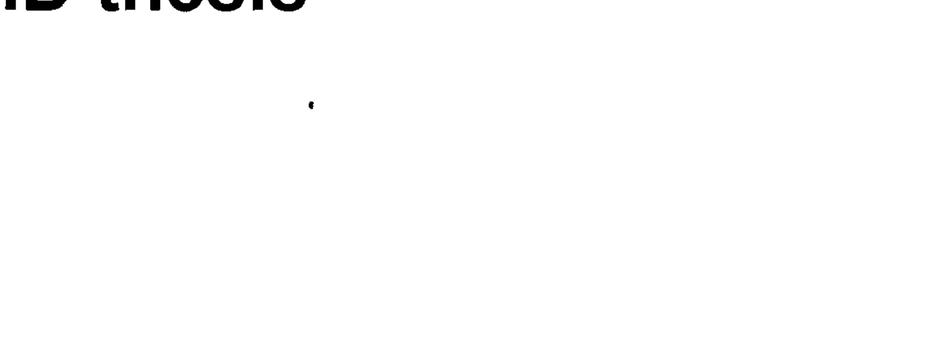
PhD thesis

The work presented in this thesis is my own.



The first Labour Government and the Civil Service

Abstract

This thesis examines the first Labour Government of January to October 1924. It concentrates on the work of Ministers in office, and the relationships between civil servants and Ministers.

The controversies surrounding the second Labour Government of 1929 to 1931 have often made it difficult for historians to form a balanced appraisal of the record of the first Labour Government, and it has been largely neglected. This thesis offers the first detailed assessment of the Government's work in the light of the availability of key sources, and provides in-depth examinations of a range of Government policies – on housing and health; the economy; unemployment; the services; and foreign policy. It shows that the Government performed creditably across a broad range of policy areas, and that in particular the Government successfully met the Labour leaders' own aim of proving that the party was capable of governing the nation competently.

The thesis indicates that the civil service did not seek to impede the work of the Government; and, indeed, that the heterogeneous nature of the service would have made any such attempt impossible. But what is revealed is that Labour Ministers displayed an overly-deferential attitude towards the civil service. Ministers were often strongly influenced by the views of their officials, helping to explain the increasing gaps in the later 1920s between those Labour leaders who had held office in 1924, and those who had not. The thesis also demonstrates that Labour in office in 1924 failed to consider the proper role and nature of the civil service in the light of the state's increasing and changing role in society. This was to have significant consequences for the effectiveness of the second Labour Government.

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Chapter 1 – Introduction

> Without fuss, the firing of guns, the flying of red flags, the Labour Government has come. At noon there was a Privy Council at Buck. Pal: the seals were handed to us – and there we were, Ministers of state. At 4 we held our first Cabinet. A wonderful country.
>
> *Ramsay MacDonald's diary, 23 January 1924*

> Today 23 years ago dear Grandma died. I wonder what she would have made of a Labour Government!
>
> *Diary of King George V, 22 January 1924*

At mid-day on the 22nd of January 1924, the members of the first Labour Cabinet knelt before the King and received their seals of office. Ramsay MacDonald, resplendent in his ceremonial court dress, became the first Labour Prime Minister. The court uniform did not sit so comfortably on Stephen Walsh, the short, broad, former miner who became Secretary of State for War. Two members of the Cabinet, John Wheatley (Minister of Health) and Fred Jowett (First Commissioner of Works), refused to wear the ceremonial dress at all, and attended in their usual suits and hats. They did, however, indicate some willingness to bend to tradition, kneeling before their sovereign as protocol dictated they should.

Remarkably, to this day the events of 22 January 1924 remain unique. Never before or since has an entirely new political movement broken through the existing party system and assumed office. Only three members of the Labour Cabinet of 1924 had previous Ministerial experience, either with a different political party or as participants in the war-time Coalition government. (To find a parallel in the twentieth century one must look to 1997: just three of the incoming Labour Cabinet in that year had previously been Ministers.) Both collectively and individually the Labour Ministers were unusually inexperienced in the conduct of government. And the Labour party was not only a new political

force: it was also committed by its 1918 constitution to 'socialism', which implied a radical new direction in public policies and, perhaps, friction with the Government's permanent officials in the civil service.

The Government was based on the support of just 191 Labour MPs in the House of Commons. Labour had been called to office because at the December 1923 general election the tariff policy proposed by the Conservatives had been rejected. The Conservatives were the largest single party, with 258 MPs, but they were outnumbered by the combined forces of the free-trade Labour and Liberal parties (there were 159 Liberal MPs). Labour, as the largest free-trade party, took office. Unsurprisingly, given the precarious Parliamentary position, the Government lasted just nine months before an effective vote of no confidence in the House of Commons in October triggered an election. The Labour vote increased in this election, but with the Liberal vote collapsing the Conservatives were comfortably returned to power.

The immediate verdict on the Government – by Labour supporters at least – was extremely positive. George Glasgow wrote of the Government's foreign policy that "the year 1924 ... substituted co-operation and good will for bickering and force as the motive in contemporary diplomacy."[1] Viscount Haldane, Lord Chancellor in the 1924 Government, wrote in 1929: "the Cabinet was a very industrious one, and it contained some men of first-rate administrative ability. Ministers like Snowden, Thomas, Wheatley, and Sidney Webb[2] were as capable in the conduct of affairs as one could wish to see, and were also excellent in Council."[3] These comments were supported by another Minister in the 1924 Government, Sidney Webb, who recorded in a memorandum written shortly after leaving office in 1924 but not published until 1961 that "the Labour Ministers worked with assiduity and zeal ... the Prime Minister's behaviour in Cabinet was perfect ... [Ministers] never quarrelled, never wrangled."[4]

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[1] George Glasgow, *MacDonald as Diplomatist: The Foreign Policy of the First Labour Government* (London: Jonathan Cape, 1924), p 230.
[2] Philip Snowden was Chancellor of the Exchequer; JH Thomas was Secretary of State for the Colonies; and Sidney Webb was President of the Board of Trade.
[3] RB Haldane, *An Autobiography* (London: Hodder and Stoughton, 1929), p 329.
[4] Sidney Webb, "The first Labour Government", *Political Quarterly*, 32 (1961), pp 18-19.

After the turbulent collapse of the second Labour Government in 1931, and the creation of a coalition National government with MacDonald at its head but with the majority of the Labour party in opposition, it became difficult for politicians and historians to form a balanced appraisal of Labour's first period in office. There has been just one full length study of the 1924 administration: by Richard Lyman, whose book was published in 1958.[5] Lyman's is an excellent introduction to the subject, but was written without the benefit of access to most of the material used in researching this thesis. In particular, it accords a great deal of attention to the general political situation, which could be recreated through published records. Lacking access to unpublished Cabinet and departmental papers, it pays far less attention to the business of government itself.

With the exception of Lyman's book, the Government has lain in the shadow of the crisis and schism of 1931. In the 1930s, and beyond, MacDonald was portrayed as the man who had deliberately betrayed the Labour party, and the reputation of the party he had led in the 1920s suffered by association.[6] This very negative portrayal was reinforced during and after the second world war, when the attacks on MacDonald as betrayer of the left merged into denunciations of MacDonald as one of the "guilty men" who by their indolence in the 1930s had brought the country to the brink of disaster.[7] A more balanced portrayal was provided by David Marquand in his authoritative biography of MacDonald, first published in 1977. Marquand detailed the successes in MacDonald's career, such as Labour's long run of electoral gains from 1918 to 1929, as well as the failures and controversies.[8] Despite the work done by Marquand, the MacDonald of popular mythology today is still the MacDonald who split and nearly broke the Labour party. As late as 2006, in defending

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[5] Richard Lyman, *The First Labour Government: 1924* (London: Chapman and Hall, 1958).
[6] For example, Lauchlan Macneill Weir, *Tragedy of Ramsay MacDonald* (London: Secker and Warburg, 1936); MA Hamilton, *Arthur Henderson* (London: Heinemann, 1938); Fenner Brockway, *Inside the Left* (London: Allen and Unwin, 1942).
[7] "Cato" (Frank Owen, Michael Mackintosh Foot, Peter Howard), *Guilty Men* (London: Penguin edition, 1998).
[8] David Marquand, *Ramsay MacDonald* (London: 2nd edition, Jonathan Cape, 1997).

himself from critics Tony Blair was forced to deny that he saw himself as a "Ramsay MacBlair betraying the Labour Party's values."[9]

The 1929 to 1931 Government has been examined by several historians, including Robert Skidelsky, Ross McKibbin, Andrew Thorpe, Philip Williamson and Neil Riddell.[10] Many of these historical studies have been influenced by contemporary economic and political debates. During the high tide of Keynesian policies in the 1950s and 1960s, historians such as Robert Skidelsky bemoaned the failure of the second Labour Government to adopt a 'Keynesian' programme of works. In the 1970s, as Keynesian policies seemed to be breaking down, others such as Ross McKibbin argued that such a programme would have been futile or impossible in the circumstances of 1931.[11] When Marquand first published his biography of MacDonald in 1977 he thought that Keynesian policies would have worked if they had been tried by the second Labour Government, but that the Government could not conceivably have introduced them because the theoretical underpinning for such policies was not yet in place. By 1997, in the introduction to a revised edition of the biography, Marquand wrote that he had come to doubt whether Keynesian policies would actually have worked at all. In other words, he had moved from the view that MacDonald and the Government were wrong, but trapped by the circumstances of their time, to suspecting that the Government may actually have pursued the right policies throughout. The most recent books on the period, by Neil Riddell and Matthew Worley, emphasise the contribution of the local and regional Labour organisations on the policies pursued by the Government at the centre.[12]

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[9] *Timesonline*, 17 March 2006.
[10] Robert Skidelsky, *Politicians and the Slump: the Labour Government of 1929-1931* (London: Macmillan, 1967); Ross McKibbin, "Economic Policy of the Second Labour Government" in *Past and Present*, 68 (1975), pp 95-123; Andrew Thorpe, *The British General Election of 1931* (Oxford: Clarendon, 1991); Philip Williamson, *National Crisis and National Government – British Politics, the Economy and Empire, 1926-1932* (Cambridge: Cambridge University Press, 1992); Neil Riddell, *Labour in crisis: the second Labour government, 1929-1931* (Manchester: Manchester University Press, 1999).
[11] Skidelsky, *Politicians and the Slump*; McKibbin, "Economic Policy of the Second Labour Government". The historiography of the 1931 crisis is considered further in chapter 8.
[12] Marquand, *Ramsay MacDonald*; Riddell, *Labour in crisis*; Matthew Worley, *Labour inside the gate – A history of the Labour Party between the wars* (London: IB Tauris, 2005).

General histories have generally been dismissive of the first Labour Government. CL Mowat, for example, concluded that "the first Labour Government was largely a disappointment."[13] More recently Keith Laybourn argued that "the first Labour Government achieved very little."[14] In a history of the foreign policy of the second Labour Government, David Carlton referred fleetingly to the first Labour Government as an "unhappy experience", but otherwise paid it little attention.[15] This lack of attention is perhaps understandable, given that the Government lasted a little under a year; and that, lacking a Parliamentary majority, there were few dramatic legislative developments. However, the Labour Government of 1924 was crucial to the course of British politics and government in the later 1920s and early 1930s. In particular, the policies of the second Labour Government and the attitudes of its Ministers were to a significant degree determined by the experiences of Labour in office in 1924. This thesis therefore examines the work of Labour Ministers in 1924 in the key domestic and foreign policy departments. The focus is on the administrative and policy work of the Government. Beyond this introductory chapter, which considers the broader political context, the thesis considers the national party political situation, and developments in the regional and local Labour movement, only where they impacted directly on the Ministers' administrative and policy work. (One such example is the effect of the party political situation on the Government's policies towards Russia, which are examined in chapter 7.)

One of the key forces affecting the Labour Ministers in 1924 was the civil service; and in particular the small group of senior civil servants whose primary task was to advise Ministers. This thesis pays close attention to the relationship between the Labour Ministers, who as a group had never before held office, and the civil service, a body which had over the preceding seventy years been gaining in coherence and developing a distinct identity, and which is often thought to have reached the peak of its influence over government and politics

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[13] CL Mowat, *Britain between the Wars 1918-1940* (London: Methuen, 1955), p 174.
[14] Keith Laybourn, "Labour in and out of Government, 1923-35" in Brian Brivati and Richard Heffernan (eds), *The Labour Party: A Centenary History* (Macmillan, Basingstoke, 2000), p 58.
[15] David Carlton, *MacDonald versus Henderson: The Foreign Policy of the Second Labour Government* (London: Macmillan, 1970), p 15.

in the inter-war period.[16] In his history of the inter-war period AJP Taylor noted the inexperience of the Labour Ministers in 1924, and blandly recorded: "inevitably they relied on the civil servants in their departments."[17] The testing of this assertion will be one of the key elements of the thesis.

This will illuminate the processes of policy formulation in 1924; and the effect of Labour's first period in office on Ministers, the wider Labour movement and the civil servants themselves. These influences and interactions are of the highest importance in forming a proper understanding of the 1924 Labour Government, and its consequences for British politics in the later 1920s and early 1930s.

The approach will also provide evidence to test a claim which has been made regularly by Labour politicians and their supporters; that during the twentieth century the civil service obstructed and undermined Labour governments. The most senior active Labour politicians to express these views were Tony Benn and Richard Crossman in their Ministerial diaries from the 1960s. Benn wrote repeatedly of his difficulties with the civil service, argued that the civil service was "undoubtedly one of the sources of Conservative strength in Britain today", and concluded starkly: "the civil service is a nightmare"![18] Crossman recorded that "in general I have found profound resistance in the civil service to a Minister who brings in outside advisers and experts", and argued that "Whitehall is run for the convenience of civil servants and not for the Ministers who are supposed to be in command."[19] Brian Sedgemore, a Labour MP from 1974 to 1979 and 1983 to 2005, expressed similar views in his polemical *Secret Constitution*, and was even moved to describe the perils of the civil service in an earnest novel about the fall from grace of Tuffy Crag, a radical-minded Labour Secretary of State in a 1970s Labour government:

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[16] Lord Hewart of Bury, *The New Despotism* (London: Ernest Benn, 1929); AJP Taylor, *English History 1914-1945* (Oxford: Clarendon, 1965), p 174; Max Beloff, "The Whitehall Factor" in Chris Cook and Gillian Peele (eds), *The Politics of Reappraisal 1918-1939* (London: Macmillan, 1975), p 210.
[17] Taylor, *English History 1914-1945*, p 210.
[18] Tony Benn, *Out of the Wilderness: Diaries 1963-1967* (London: Hutchinson, 1987), 27 January 1965 and 25 February 1965. For a contrary view, see Emanuel Shinwell, *I've Lived Through It All* (London: Victor Gollancz, 1973), p 69: "My experience ... was that ... tradition and training ensure that the senior civil servant does not overstep the bounds of duty, and that he approaches each new chief, as governments change, with an open mind."
[19] Richard Crossman, *Diaries of a Cabinet Minister* (London: 3 volumes, Hamish Hamilton & Jonathan Cape, 1975 - 1977); *volume 1*, p 614 and vo*lume 3*, p 19.

> Civil servants for their part deliberately blurred the dividing line between policy and administration and convinced themselves that concepts like democracy, accountability and Parliamentary control were masks behind which they should continue to govern in what they perceived to be the public good.[20]

It will be apparent that much of this discontent stemmed from the particular conditions and perceived failings of Labour in the 1960s and 1970s, but left-wing historians and commentators have made similar comments about the inter-war years. Matt Perry, Raymond Jones and MA Hamilton, for example, have all criticised the role of the civil service in the inter-war period.[21] An examination of a specific period, especially one during which Labour Ministers were inexperienced, and the civil service was perhaps at the height of its influence, will provide some concrete evidence to assess these claims that Labour has been obstructed by the civil service.

1. Approach

Richard Lyman's *The First Labour Government* was prepared without access to most of the key sources on which the research for this thesis has relied. Unsurprisingly, it concentrates more on the politics and political situation (10 chapters) than on what the Government actually did (6 chapters).

In particular, unlike Lyman I have been able to examine a wealth of official material now available in The National Archives (TNA), including departmental files and Cabinet memoranda and Minutes, closed to historians until the 1970s under the (then) 50-year rule. The TNA also holds the papers and diaries of Ramsay MacDonald, and the National Library of Scotland holds the papers of Viscount Haldane (the Lord Chancellor), both of which have been studied for the thesis.

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[20] Brian Sedgemore, *The Secret Constitution* (London: Hodder and Stoughton, 1979) and *Mr Secretary of State* (London: Quartet, 1978), p 66.
[21] Matt Perry, *Bread and work: the experience of unemployment, 1918-1939* (London: Pluto, 2000); Raymond Jones, *Arthur Ponsonby: the politics of life* (London: Christopher Helm, 1989) and MA Hamilton, *Arthur Henderson* (London: Heinemann, 1938).

Since 1958 a vast array of memoirs and published diaries and letters, and biographies, have also become available. In the category of diaries and letters a few of the most significant are the letters of Admiral Beatty, the diaries of CP Scott, and the political diary of Hugh Dalton.[22] Examples of key memoirs include those of the senior Treasury official Sir Frederick Leith-Ross, the Labour journalist Francis Williams, and a bevy of senior inter-war diplomats and foreign office officials including Sir Ivone Kirkpatrick, Sir Frank Oppenheimer, Duff Cooper and Lord Vansittart.[23]

Turning to biographies, the most important is of course that by Marquand on MacDonald, first published in 1977 and re-issued in 1997. Other key works include biographies of Ministers such as John Wheatley by John Hannan and Ian Wood; Philip Snowden by Colin Cross, and Keith Laybourn and David James; and Arthur Henderson by Chris Wrigley and FM Leventhal. Biographies of senior civil servants include Sybil Crowe and Edward Corp's study of the Foreign Office Permanent Under-Secretary Sir Eyre Crowe, and the three volume study of the Cabinet Secretary Maurice Hankey by SW Roskill.[24] The bibliography contains a full list of the sources used in the researching of this thesis.

The private government working papers, and private personal papers, diaries and memoirs, record individual viewpoints which have provided an invaluable counterpoint to the published records available in the Hansards of both Houses of Parliament; numerous published Government reports; various Labour party

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[22] WS Chalmers, *The Life and Letters of David, Earl Beatty* (London: Hodder and Stoughton, 1951); Trevor Wilson (ed), *The Diaries of CP Scott, 1911-1928* (London: Collins, 1970); Ben Pimlott (ed), *Political Diary of Hugh Dalton* (London: Jonathan Cape, 1986).

[23] Sir Frederick Leith-Ross, *Money Talks: Fifty Years of International Finance* (London: Hutchinson, 1968); FJ Williams, *Nothing so Strange* (London: Cassell, 1970); Sir Ivone Kirkpatrick, *The Inner Circle* (London: Macmillan, 1959); Sir Francis Oppenheimer, *Stranger Within* (London: Faber and Faber, 1960); Duff Cooper (Viscount Norwich), *Old Men Forget* (London: Rupert Hart-Davis, 1953); Lord Vansittart, *The Mist Procession* (London: Hutchinson, 1958).

[24] Marquand, *Ramsay MacDonald*; John Hannan, *Life of John Wheatley* (Nottingham: Spokesman, 1988); Ian Wood, *John Wheatley* (Manchester: Manchester University Press, 1990); Colin Cross, *Philip Snowden* (London: Barrie and Rockcliff, 1966); Keith Laybourn and David James, *Philip Snowden – The first Labour Chancellor of the Exchequer* (Bradford: Bradford Libraries, 1987); Chris Wrigley, *Arthur Henderson* (Cardiff: University of Wales Press, 1990); FM Leventhal, *Arthur Henderson* (Manchester: Manchester University Press, 1989); Sybil Crowe and Edward Corp, *Our Ablest Public Servant: Sir Eyre Crowe, 1864-1925* (Devon: Merlin, 1993); Stephen Roskill, *Hankey: Man of Secrets* (London: 3 volumes, Collins, 1970, 1972 and 1974).

sources including Conference reports; and the news and editorial pages of *The Times* and the *Daily Herald*. The extensive use of both private and published records has enabled the construction of a detailed picture of the work of the Government in key policy fields.

The great advantage of conducting an intensive, primarily archival study of a relatively short-lived administration is that it is possible to construct a detailed picture of the interplay between Ministers and their officials, and the extent of civil servants' influence on the development of actual policies and individual Ministers. In this way it has been possible to overcome a difficulty identified by Vernon Bogdanor:

> The convention of Ministerial responsibility has always obscured the creative role of leading civil servants; and, to this extent, it misleads as to the real power relationships between ministers and those who serve them.[25]

Perhaps surprisingly, the most illuminating events and exchanges recorded in this thesis have often been recorded in official records, and not the personal diaries or memoirs of the protagonists. Memoirs clearly carry with them the danger that they are written after the event, and often reflect the preoccupations of the author. For memoirs of Labour politicians which cover 1924, but which were written after 1931, there is always the danger that events are recorded in such a way as to foreshadow the crisis of 1931.[26] Even diaries, while invaluable sources for the Government in many respects, are not guaranteed to be contemporary. MacDonald was an erratic diarist, and the entries for 1924 and 1925 are infrequent. In places it seems clear that MacDonald wrote them in order to justify his own actions, though whether to himself or to a wider future audience it is impossible to know. Maurice Hankey was also a less than assiduous keeper of his diary, and events were often

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[25] Vernon Bogdanor, "The Civil Service", in Bogdanor (ed), *British Constitution in the Twentieth Century* (Oxford: Oxford University Press, 2003), p 239.

[26] For example Philip, Viscount Snowden, *An Autobiography Volume 2 1919-1934* (London: Ivor Nicholson and Watson, 1934); Brockway, *Inside the Left*; Sir Norman Angell, *After All* (London: Hamish Hamilton, 1951); Hugh Dalton, *Call Back Yesterday: Memoirs 1887-1931* (London: Frederick Muller, 1953).

recorded long after they happened. One of the few entries for 1924, dated 11 October, covers events from January 1924.[27]

By way of contrast the unpublished official records are plentiful and revealing. The reason is that by the 1920s the civil service had developed a clear, consistent way of working, based on a written memorandum prepared by an official, to which were added the written comments of increasingly senior officials, culminating (if the subject matter warranted) with the written decision of the Minister, and the descent of the document back through the department. Sometimes a document could find itself pinging back and forth between Ministers and officials in search of a satisfactory conclusion.

The telephone was available, but not widely used for important matters. When offered a telephone, one senior inter-war Board of Trade official responded "Certainly not. Why, someone might ring me up and ask a question, and I would have to answer it straight off!"[28]

The 'minutes' of senior officials could be astonishingly frank: there was no fear of any unguarded remarks coming to the attention of the general public, or the unfortunate person to whom an official's sarcasm might be directed. In chapter 3, for example, I outline the circumstances which led a senior Treasury civil servant to describe to the Chancellor a deputation of senior representatives of the manufacturing industry as being "somewhat second class people" (page 106). The minuting system has also preserved some fascinating exchanges between Ministers and officials. One example examined in chapter 7 on foreign policy includes a philosophical discourse on the purpose and conduct of foreign policy between MacDonald and Sir Eyre Crowe (page 250).

An official history of the Foreign Office written in 1933 by the retired senior FO officials Sir John Tilley and Stephen Gaselee warned historians against over-

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[27] MacDonald diaries are in TNA 30/69/1753; Roskill, *Hankey*.
[28] 'CK Munro' (CWK Macmullan), *The fountains in Trafalgar Square: some reflections on the civil service* (London: Heinemann, 1952), p 28.

reliance on minutes by junior officials. The authors had the pre-war Foreign Office in mind, but their views are still well worth recording:

> It is important for historians to remember that these are, or were, observations destined very often to be discussed orally with a higher authority, liable to oral correction which may not appear on paper, sometimes provoking disagreement which was only casually expressed. They were not of the nature of State papers or other full dress documents ... The difference is like that which one sees between a diary written for publication and one written for the diarist's own use.[29]

This is a useful caution, but in building a picture of policy development it can of course be just as useful to see the unguarded comment, not intended for publication, as the polished published document. The key is to use the minutes as evidence of a dialogue between officials, and between officials and Ministers, and not necessarily view them as the finally formulated view of a department or an administration on a particular subject.

The minutes from 1924 are, of course, liberally complemented with the range of other sources I have already described. In this way contemporary evidence of the specific and the day-to-day, supplemented by formal records and personal diaries and memoirs, has been used to construct a picture of the administration and the relationship between the first Labour Government and its civil servants. To take one example, in the chapters on foreign policy it has been possible to assess the debates between officials, between Ministers, and between officials and Ministers, through the Foreign Office files; MacDonald and Haldane's private papers; the memoirs of senior civil servants and diplomats such as JD Gregory and Lord Hardinge, and biographies of key figures such as Sir Eyre Crowe and Arthur Ponsonby.

In order to build up as accurate a picture as possible in the key policy areas, this thesis concentrates on only a selected number of departments. The Ministry of Health, which had responsibility for the vital policy areas of the poor law and housing policy, is examined in chapter 2. In chapter 3 the Government's economic policy is considered, followed in chapter 4 by the

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[29] Rt Hon Sir John Tilley and Stephen Gaselee, *The Foreign Office* (London: Putnam's, 1933), p 169

Government's unemployment policy. Turning from the domestic to the international, chapter 5 examines the services; chapter 6 general foreign and international security policy; and chapter 7 the vexed question of relations with Russia.

To make sense of these detailed examinations of particular policies for the Labour Government in 1924, it is necessary to set the context both in terms of the civil service, in the next section of the introduction, and in general political terms, in the following section. Then Labour attitudes to the civil service prior to 1924 are explored. The final section of the introduction sets the scene for the policy chapters, and helps to show the general character of the Government, by examining the formation of the Cabinet that knelt before the King on 22 January 1924.

2. Civil service context

> A civil servant's life makes him, above all, a realist. He is less easily elated, less readily discouraged than most men by everyday happenings. Outwardly he may appear cynical or disillusioned ... But that is because he has learnt by experience that the walls of Jericho do not nowadays fall flat even after seven circumambulations to the sound of the trumpet.[30]

This passage was written by Sir Edward Bridges, during his time as head of the home civil service between 1945 and 1956. Bridges began his civil service career in 1918, and it was in the inter-war period that the stereotype of the dull, orthodox civil servant was formed. Before the first world war the sheer diversity of the various offices and departments of state would have made it impossible to think of describing a recognisable stereotype 'civil servant'.

There was a slow process of transformation from the disparate collection of offices and departments of the early nineteenth century, whose officials were directly appointed to each office on the basis of patronage, to the reasonably unified service of the inter-war years, whose staff were usually recruited

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[30] Bridges in Wyn Griffith, *The British Civil Service 1854-1954* (London: Her Majesty's Stationery Office, 1954), p 23.

through competitive examination or interview. The process began with the Northcote-Trevelyan report of 1854, which urged separation of 'mechanical' or clerical work from intellectual or 'administrative' work; recruitment by examination; and promotion by merit rather than length of service. Though a Civil Service Commission was established in 1855, it was only in 1870 that the Treasury, via the Commission, was given real power to set examinations and control recruitment to the senior 'administrative' grades of the civil service. Even then, the Home Office and Foreign Office successfully fought off Treasury control.

There was then little change until the first world war and its aftershocks. The war saw a vast extension of the activities of the state, and central control over expenditure was greatly loosened. The total number of civil servants (excluding industrial workers employed directly by the state) increased from 136,000 in 1911 to 369,000 in 1920.[31] This rush to expansion led to a break-down in the normal patterns of recruitment. Many businessmen were recruited directly into senior posts, not internally from the administrative caste. Several new Ministries, including those on Munitions, Reconstruction and Health were created during or shortly after the war.

In 1918 the Coalition Government appointed a committee of inquiry into the machinery of government, chaired by Viscount Haldane. The creation of the Committee owed much to a sense that the structures thrown together during the war might not be suitable for peace-time conditions. The committee produced a wide-ranging report in 1919, recommending amongst other things the re-organisation of Whitehall departments along functional lines such as External Affairs and Finance. However, the committee's report was considered against the background of a worsening economic situation, outlined on page 24, and a campaign for 'retrenchment' – cuts in public spending – led by newspapers such as the *Daily Mail*. In responding to the committee's report the focus of the Coalition Government was very much on dismantling some of the war-time departments, including both Munitions and Reconstruction, and not on

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[31] Emmeline Cohen, *The Growth of the British Civil Service 1780-1939* (London: Frank Cass, 2nd impression 1965), p 164.

far-reading institutional reform. One of the key institutions to survive was the Cabinet secretariat, a small office established in December 1916 under Maurice Hankey to keep track of and to an extent co-ordinate the work of the War Cabinet and the full Cabinet.[32] (Remarkably, until this time no records had been kept of Cabinet meetings and papers were rarely circulated for Cabinet Ministers to consider ahead of meetings.)

One recommendation of the Haldane Committee implemented by the Coalition Government was the positioning of the Treasury at the heart of the civil service. In 1919 and 1920 the Treasury was expanded, reorganised, and given more power than ever before to scrutinise the expenditure of other departments. The Treasury oversaw the harmonising of pay scales and increased transfers of staff between departments. In 1922 Sir Warren Fisher, the head of the civil service, succeeded in transferring Sir John Anderson from the Board of Inland Revenue to be permanent under-secretary at the Home Office, against the attempts of senior Home Office officials to secure an internal appointment. Fisher was head of the civil service from 1919 to 1939, and was the first formally to combine the job with the post of permanent secretary to the Treasury.[33]

Like many of his senior colleagues Fisher had studied at Oxford. Both Oxford and Cambridge were well represented in the senior ranks of most departments, but there were far fewer graduates of universities such as London which specialised in the social sciences. RK Kelsall has calculated that around 215 of the 296 members of the higher civil service in 1929 had attended either Oxford or Cambridge University. Graduates of those two universities also continued to dominate recruitment into the administrative class. In 1913 Oxford and Cambridge provided around 80% of successful candidates in the open examination competitions. In 1933-39 the proportion rose to 90%.[34] After the first world war the written examination, used to determine entry to the

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[32] John Naylor, "The Establishment of the Cabinet Secretariat", *Historical Journal* vol 14, No 4, Dec 1971, pp 783-803.
[33] Chapter 3 provides further information on the post-war Treasury.
[34] RK Kelsall, *Higher Civil Servants in Britain from 1870 to the present day* (London: Routledge and Kegan Paul, 1955), pp 15, 62 & 138.

administrative class since 1870, was supplemented by an oral examination. The research by Kelsall shows that this oral exam tended to help those who had been to one of the top public schools to achieve better results than they would have done with a written exam alone.[35] Kelsall suggested that this was because the oral exams followed no set pattern. The examiners – usually themselves higher civil servants or academics – simply cast around for subjects on which the candidate could converse fluently. This tended to favour those of similar backgrounds to the examiners. The open exam therefore reinforced the tendency of the civil service to recruit in its own image.[36] Even leaving aside the bias seemingly inherent in the oral exam, the written exam was sometimes criticised for giving undue weight to knowledge of the classics, and too little to the social sciences.[37]

The number of women employed in the civil service increased rapidly during the first world war. In 1914 there were 65,000 women employed in the civil service, 58,000 of them in the post office. Women were required to resign on marriage. By 1919 there were 170,000 women in the civil service, many of them working in departments which had been men-only before the war. Many women worked in posts vacated by men who had joined the services. After the end of the war there were two contradictory impulses. On the one hand there was a widespread feeling that women civil servants had proven their worth, resulting in 1919 in the passing of an Act of Parliament removing the requirement for women civil servants to resign on marriage. On the other hand there was pressure for retrenchment, and a desire to make civil service posts available for men being demobilised from the services. The Act removing the marriage bar was not actually brought into force until 1921 and there remained a strong presumption that women would continue to resign on marriage. Women continued to be excluded from the Foreign Service and certain 'reserved' posts in other departments. Despite this tightening of the labour market for women there was a sustained campaign for equal pay between male

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[35] Kelsall's top or 'elite' schools were Eton, Winchester, Westminster, Charterhouse, St. Paul's, Merchant Taylor's, Harrow, Rugby and Shrewsbury: Kelsall, *Higher Civil Servants*, pp 78 & 119.
[36] Kelsall, *Higher Civil Servants*, pp 77-79.
[37] Cohen, *Growth of the British Civil Service*, p 173.

and female civil servants doing the same job, which had not yielded any results by the time Labour came to office.[38]

From the second world war onwards the cult of the 'generalist' in the civil service has been frequently condemned for elevating the gentlemanly amateur dabbler above the hard-nosed policy expert.[39] But in the early 1920s it was the administrative modernisers who saw the creation of a cadre of 'generalists' – senior civil servants with experience of more than one department – as the key to creating a unified professional service, rigorous in the development of policies, and able to understand the full range of implications of a proposed policy across the field of government activity.[40]

The 1920s also saw, despite the campaign of retrenchment after the war, an inexorable rise in the range of tasks performed by civil servants. In 1929 the Association of First Division Civil Servants stated:

> The volume of official work which calls for decisions affecting the public is nowadays such that it is physically impossible for the minister himself to give the decision except in the most important cases.[41]

This trend alarmed some. In the same year, 1929, Lord Hewart, the Lord Chief Justice of England, published *The New Despotism*. Hewart thought there was a circularity to contemporary government and administration: "the greater the army of officials, the greater becomes the mass of Parliamentary and departmental legislation; the greater the mass of Parliamentary and departmental legislation, the greater becomes the army of officials; and so on ad infinitum."[42] He added: "In remarks on the mischiefs of bureaucracy one may assume the excellence of the Civil Service. Yet it may perhaps be well to remember that high capacity and ardent zeal never need to be more carefully watched than when they appear to have entered, with all their might, on a

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[38] Cohen, *Growth of the British Civil Service*, pp 188-90; EN Gladden, *Civil services of the United Kingdom 1955-1970* (London: Frank Cass, 1967), p 48.
[39] See, for example, the report of the Fulton Committee on the civil service (1968, Cmnd 3638).
[40] Bogdanor, *British Constitution*, p 246.
[41] Quoted in Ivor Jennings, *Cabinet Government* (Cambridge: 3rd edition, Cambridge University Press, 1959), p 125.
[42] Hewart, *New Despotism*, p 151.

wrong road."[43] The majority and establishment view, however, was of satisfaction with the British civil servant. One commentator of 1936 declared that Ministers were fortunate to have "at hand the best opinion available."[44]

The mid 1920s therefore marked an interesting moment in the development of the civil service, with the resumption of the long-term trend towards a recognisably unified 'civil service', following severe disruption during the prosecution of the first world war. The broader range of work undertaken by governments, and therefore officials, and the perceived increasing uniformity of outlook of civil servants, were only just beginning to cause concerns amongst a small number of commentators. In the main, the civil service had a good reputation for providing high quality policy advice for Ministers.

3. Political context

Labour's ascent to office in 1924 was dizzyingly rapid, and unexpected. The party had only been formed in 1906, with the transformation of the Labour Representation Committee, which itself dated to only 1900, into the Labour party. The party, an alliance of trade unions providing the bulk of the finance and membership, and socialist societies providing much of the ideology and the drive, gained 42 seats in the second election of 1910, in part through co-operation with the then mighty Liberal party.

In the special circumstances of the 1918 election, explained below, the party gained 57 seats. In the November 1922 election it leapt ahead to 142 seats. To its supporters Labour's advance seemed steady and unstoppable; time appeared to be on its side. To the party's opponents the rise of the socialist Labour party was alarming for exactly the same reason. But even after the 1922 election, no-one – Labour or opponent – predicted that Labour would be in office within two years. The Conservative Government had a solid majority and the tumult of the post-war years seemed to be giving way to calmer conditions.

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[43] Hewart, *New Despotism*, p 13.
[44] Jennings, *Cabinet Government*, p 120.

How had the war-time and post-war years assisted, or at least permitted, the rise of Labour? There has been a great deal of debate about the impact of the first world war on the fortunes of both the Labour party and the Liberal party.[45] Whatever one's view on this larger question, two points must be emphasised for the purposes of this introduction. First, the war boosted the fortunes of the Labour party. Second, this was far from apparent during the war. A majority of Labour leaders supported British participation, and senior party figures such as Arthur Henderson and George Barnes served in David Lloyd George's coalition war cabinet. However, a vocal minority, which included Ramsay MacDonald, opposed the conduct of the war and supported a negotiated peace. The division proved to be a temporary one and lasted only as long as the war, but MacDonald and the others were castigated, from both outside and within the party, for their lack of patriotism. After the war, when the gloss began to come off the peace and the economic and political turmoil on the continent suggested that the victorious allies had imposed an unnecessarily vindictive settlement on Germany, the Labour party was able to reap the benefits of having opposed the Versailles settlement at the time it was being negotiated in 1918 and 1919.

The treatment of MacDonald by many in the country and even many within the Labour party during the war helped to transform him from being one of the ultimate Labour 'insiders' (he had been the first secretary of the Labour Representation Committee back in 1900) to someone who perceived himself as something of an outsider and a loner. Even as late as May 1923 he wrote in his diary that the party "machine [is] all against me."[46] This again had consequences for his conduct of the Premiership in 1924, examined in chapters 6 and 7 on foreign policy.

The war helped the party in various other ways. It stimulated the further enfranchisement of working class men and women (on different terms) through

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[45] The debate is well summarised in Keith Laybourn, "The rise of Labour and the decline of Liberalism: the state of the debate", *History*, 80 (1995), pp 207-226; and brought up-to-date in Keith Laybourn, "Labour in and out of Government, 1923-35" in Brivati and Heffernan (eds), *The Labour Party: A Centenary History*, pp 50-2.

[46] MacDonald diary, 1 May 1923.

the Representation of the People Act 1918, which would have been expected to benefit Labour more than the other parties. The opponents of the war came into close contact with several senior Liberals in the anti-war organisation the Union of Democratic Control. Many of these Liberals travelled on into the Labour party at the war's end, including 1924 Ministers CP Trevelyan and Arthur Ponsonby. The Liberal party itself split in two when Lloyd George formed a Coalition Government with the Conservatives in 1916, with a majority of the Liberal party remaining loyal to the deposed premier Herbert Asquith. The division was not finally healed until the 1923 election.

The Lloyd George Coalition won the 1918 election with a massive majority. As the Sinn Fein MPs refused to sit at Westminster and the Asquithian Liberals were reduced to a rump of 36, the modest Labour bloc found itself the 'official opposition'. However, the party's performance between 1918 and 1922 did little to justify this description. To the despair of some of the leaders, including MacDonald, the MPs frequently acted more as a pressure group – defending trade union rights and seeking to extract minor concessions from the Government – than as a government in waiting. MacDonald was defeated by a pro-war Coalition candidate in the 1918 election, and so could do little to influence events inside Parliament. Many of the most able Labour leaders suffered the same fate, and it was not until 1922 that the spine of the party returned to Westminster.

The period 1918 to 1922 is not, however, without significance for a study of the first Labour Government. The war had shown the potential of the state to organise the country on a massive scale, and that lesson was carried into the immediate post-war period. Boosted by a short post-war economic boom – spurt might be a better description – the Government embarked on a massive reconstruction programme, the centrepiece of which was a plan to build half a million houses: 'homes fit for heroes'. An Education Act in 1918 paved the way for more free places in secondary schools, and more and better paid teachers. And almost unnoticed, the Government shouldered a greater responsibility than ever before for the maintenance of the unemployed. 'Uncovenanted' benefit, that is, payments for those who had not contributed, or had not contributed

enough, to the National Insurance scheme, were introduced in 1921. This last development was crucial to the conduct of Labour's policies on unemployment benefits, which are examined in chapter 4.

By the middle of 1920 it was clear that the country was entering a severe recession. The Government responded by cutting back on public expenditure, and the housing and education programmes were axed, along with many others. Despite these cuts, the Government had shown that there could be scope for vigorous state action to improve social conditions, even in peace-time.

During the post-war spurt several unions won industrial disputes (for example the railwaymen in September 1919 and the dockers at the start of 1920), but a major battle was lost in April 1921 (after the economic situation had worsened), when an alliance of the Miners Federation of Great Britain, the National Union of Railwaymen and the National Transport Workers Federation fell apart and failed to prevent the return of the mines, which had been temporarily nationalised during the war, to their private owners. 'Black Friday' seemed to illustrate the limits to the effectiveness of industrial action, and helped to re-focus attention in increasing working class representation in Parliament.

The periods 1914 to 1920, and 1920 onwards, therefore form two distinct parts to the decade leading up to the first Labour Government. During and immediately after the war the focus of political debate centred on vigorous state action first to prosecute the war, and then to reconstruct the country. After the economic situation worsened in 1920 the focus turned to retrenchment and policies which would somehow recapture the 'glory days' of British prosperity in the late nineteenth century and early twentieth centuries. Therefore at the start of 1924, when the first Labour Government took office, the enormous war-time mobilisation was still fresh in the minds of the nation, but the mood of the time seemed best served by a more tranquil approach to the governance of the country.

Paradoxically, the sense of a return to 'normalcy' lessened any fear amongst electors that a rabid revolutionary Labour party might wreak havoc. As I have noted, in the 1922 election Labour leapt ahead to 142 seats, and leading figures such as MacDonald and Philip Snowden returned to Parliament. MacDonald immediately challenged and defeated JR Clynes for the Chairmanship of the Parliamentary Labour party. MacDonald effectively became the party's first "leader". (The chairmanship had hitherto been held on a rotating basis by the party's senior figures.) This development was important for the freedom it gave MacDonald to choose his own ministers when forming a government in 1924.

1922 also saw the creation of a joint Labour-TUC research department, and the establishment of advisory committees on each major policy area, consisting of Labour members and independent figures sympathetic to the party. The advisory committee on international questions was particularly active and is considered in chapters 6 and 7. While Ross McKibbin's suggestion in relation to the 1924 Labour Government that "no party has entered office so elaborately equipped with the impedimenta of research and information" may be something of an exaggeration, at the start of 1924 it remained to be seen how much weight each new Labour Minister would attach to Labour's policymaking processes, in particular party conference resolutions and the work of the advisory committees.[47]

The 1922 election had been triggered by the decision of the Conservative party to ditch Lloyd George and fight the election as an independent party. The failure of reconstruction and economic recession at home; instability in Europe coupled with what was seen as an adventurous and unprincipled foreign policy; repression in Ireland; and doubts about Lloyd George's integrity, had all combined to make the Coalition unpopular. The Coalition Liberals fought the election as an independent group, but returned only 53 MPs to Parliament. There were now 62 Asquithian Liberal MPs, so Labour would have outnumbered even a reunited Liberal party. The Conservatives, with 344 MPs

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[47] Ross McKibbin, *The Evolution of the Labour Party 1910-1924* (Oxford: Oxford University Press, reprinted 1983), p 219.

and a solid overall majority, formed a Government with Andrew Bonar Law at its head. Some of the leading Conservatives – those who had opposed the decision to abandon the Coalition – stayed aloof, which gave a number of 'second rank' MPs their chance. One such second ranker was Stanley Baldwin, who became Chancellor of the Exchequer and then, on Bonar Law's retirement in 1923 due to ill-health, Prime Minister.

The Conservatives seemed set fair for a full term in office when Baldwin dropped a bombshell at the party's annual conference in October 1923. Bonar Law had pledged not to introduce any general scheme of protection (tariffs) without gaining the approval of the British people at a general election. Baldwin said that he upheld that pledge, but he had concluded that a tariff was essential to combat unemployment. He called a snap election. The Liberals had been thrown a lifeline. They reunited under the old free-trade banner and dug out the arguments of previous election campaigns. The Labour party made some attempts to fight the election on the issue of socialism vs. capitalism, but were drawn inexorably into the familiar contest between free-trade and protection.

Labour's free-trade stance illustrates how much the party had inherited from the old Liberal tradition. Labour probably benefited from the Conservatives' choice of battleground for the election: free trade was still popular amongst the electorate, and was a respectable and familiar policy in a way that socialism was not. The press tended to concentrate on free trade vs. protection, and so had less space than usual for 'red' scare stories. Under the influence of MacDonald and others Labour was also starting to trim its sails to the electoral wind. Since 1918 a capital levy (a one-off tax on wealth) had been a central plank of Labour's platform. This policy, and nationalisation, were now given much less prominence. Instead the manifesto proposed more modest goals, such as the establishment of a national system of electrical power supply; the development of road and rail transport; and the improvement of national resources by land drainage, town planning, housing schemes and the like. Foreign policy was emphasized: Labour was clean of the taint of Versailles, and they campaigned to strengthen the League of Nations, hold an international

conference to revise the Versailles settlement and resume diplomatic and trading relations with Russia.

With a fairly low turnout for the time of 71%, Labour won 191 seats with 30% of the vote. The Conservatives remained the largest party but were reduced to 258 MPs – well short of an overall majority in the Commons – with 38% of the vote. The Liberals were just one percent behind Labour in terms of votes, but returned only 158 MPs. In view of the uncertain political situation Baldwin declined to resign immediately and decided to remain in office until Parliament reassembled in January.

The Parliamentary arithmetic mattered for two reasons. The first was that the Labour party was still well short of an overall majority. It could not even outvote the Conservative party without substantial Liberal assistance. This helped the Labour party's leaders to assert that the country had not given its assent to a full-blooded socialist programme of nationalisation, and strengthened their hand in arguing, against their more progressive supporters, that what was required was a period of calm consolidation. The second was that the Liberal party had shown that it still had the capacity to contest a general election on a national scale, and to increase its share of the popular vote. It seemed that there was life in the Liberal dog yet. Chapter 8 considers the consequences of the modest Liberal revival in the 1923 election.

There was a general recognition amongst the leadership of all three main parties that the electorate had rejected protection and that a free trade party should take office. And Labour was the larger of the two free-trade parties. By early January 1924 both Baldwin and Asquith had scotched any suggestion of a grand "anti-Labour" coalition, and the scene was set for the defeat of the Conservatives and the accession to office of Labour as soon as Parliament reassembled on 15 January to debate and vote on a King's Speech prepared by the outgoing Conservative administration.

What sort of Labour administration would take office, and what would be its tactics? In the weeks following the 1923 election there was a little wild talk

about what a Labour Government might do, and a few half-hearted attempts to whip up a panic. The Duke of Northumberland claimed that a Labour Government would bring about the dissolution of government and society, corrupt the services and police, abolish marriage and institute free love.[48] David Lloyd George, who ought to have known better, wrote in an American newspaper that "The Western skies are already black with the flight of capital seeking safety beyond the Atlantic", prompting *The Times* to suggest that a decent pension for former Prime Ministers would be a good price to pay to avoid having to endure such "pestilent stuff".[49]

That such attacks gained little currency were due in no small part to the evident determination of Ramsay MacDonald to pursue a moderate course. The emphasis of a post-election speech at the Albert Hall was that:

> I want a Labour Government so that the life of the nation can be carried on: 1924 is not the last year in God's programme of creation. We will be dead and gone and forgotten, and generation after generation will come, and still the journey will be going on.

This was aimed at certain of the Government's own followers as much as the few scaremongerers on the right. MacDonald's comments, and those of Clynes who spoke after him that "Labour, if entrusted with the power of government, would not be influenced by any consideration other than that of the national well being"[50] were a deliberate rejoinder to class warriors such as the Clydeside MP Baillie Dollan, who had told a rally in Glasgow a few days earlier:

> Rich people were terrified at the prospect of Labour getting into power. Well might they be terrified. There was no use Labour going into power if the rich were to be pleased.[51]

The Clydeside group of MPs and others pressed for Labour to accept office in order to put before the Commons a comprehensive programme of nationalisation, and then appeal to the country as soon as the Government was

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[48] Danny Michael Parker, "Lord Haldane: Labour's First Lord Chancellor" (unpublished PhD thesis, Auburn University, 1983), p 8.
[49] *The Times*, 8 January 1924.
[50] MacDonald and Clynes both from The Times, 9 January 1924.
[51] *The Times*, 7 January 1924.

defeated by the combined votes of Liberal and Conservative MPs.[52] But the dominant mood of the Labour Ministers was well expressed by the veteran Labour grandee Beatrice Webb, who wrote in a letter to Labour supporters in her husband Sidney Webb's Seaham constituency: "We of the Labour Party believe that we can only proceed step-by-step, and that each step forward can only be taken with the consent of the people."[53] Proving that Labour was 'fit to govern', and proceeding towards the socialist utopia step-by-step, were central objectives of the 1924 Government.

4. Labour and the civil service before 1924

Labour in the early 1920s was a young party, which had been in existence for less than a quarter of a century. In 1918 it had adopted a new constitution which had committed the party to 'socialism'. But exactly what this socialism would entail for the state was unclear.

Some Labour theorists, such as GDH Cole, RH Tawney and Harold Laski had a pluralist conception of socialism, with the state seen either as an obstacle to social and economic progress, or having only a subordinate role. Cole, for example, argued that power should be radically decentralised, to loosely federated industrial and social groups, to be known as guilds, concerned with discrete spheres of economic and social activity.[54]

The majority of Labour's leaders, including MacDonald, Henderson and JH Thomas, took a different view and advocated the Fabian model of a strong central state run by experts, directing the nation's resources in a rational way. For example, in their 1920 *Constitution for the Socialist Commonwealth of Great Britain* the leading Fabian thinkers Sidney and Beatrice Webb proposed a Social Parliament to direct the social, economic and cultural life of the nation, alongside a Political Parliament to take care of defence, external affairs and

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[52] Raymond Postgate, *Life of George Lansbury* (London: Longmans, 1951), p 226.
[53] Norman MacKenzie (ed), *Letters of Sidney and Beatrice Webb, Volume 3 – Pilgrimage – 1912-1947* (Cambridge: Cambridge University Press, 1978), 22 January 1924.
[54] GDH Cole, *Guild Socialism Restated* (London: Transaction, 1920, 1980).

justice.[55] In his pre-war *Socialism and Government* MacDonald argued at length the crucial importance of the state as "the organised political personality of a sovereign people"; "the organisation of a community for making its common will effectual by political methods".[56]

These Fabian proposals to give the state a central role in national life invited the question what reforms would be necessary to the state bureaucracy to enable it to carry out its new duties in British social, economic and cultural life. What bureaucratic structures would be required, for example, to arrange the "vast organisation of economic forces and industrial processes" that MacDonald argued was necessary "to secure economy in Society and equitable rewards to service-givers"?[57] What skills would bureaucrats need to carry out the new range of duties proposed in the 1918 policy document *Labour and the New Social Order*, which included nationalisation of land, railways, canals, coal and electricity, programmes of public works, and the achievement of national minimum standards of health, education, leisure and subsistence for the whole population? Would the ability to prepare elegant minutes be valuable in assisting with the administration of huge economic and social concerns, or would new administrative and managerial skills be needed? Should recruitment and promotion procedures be overhauled? What was the most appropriate role for women in the civil service?

Perhaps surprisingly, most Labour leaders simply ignored all such questions, and avoided any serious discussion of the civil service or the role of the bureaucracy.[58] Kenneth Morgan has stated that Keir Hardie, the Parliamentary Labour Party's first chairman, "never offered any blueprint, however tentative, of a nationally organised socialist system."[59] The sum of MacDonald's

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[55] Sidney and Beatrice Webb, *A Constitution for the Socialist Commonwealth of Great Britain* (London: London School of Economics, 1920, 1975 edition).
[56] Ramsay MacDonald, *Socialism and Government: volume 1* (London: ILP, 1909), p 3.
[57] MacDonald, *Socialism and Government: volume 2* (London: ILP, 1909), p 120.
[58] Richard Heffernan, "Leaders and Followers: The Politics of the Parliamentary Labour Party" in Brivati and Heffernan (eds), *The Labour Party: A Centenary History*, p 246.
[59] Kenneth Morgan, *Keir Hardie: Radical and Socialist* (London: Phoenix, revised edition 1997), pp 208-9.

reflections on the civil service in *Socialism and Government* were that "permanent officials obey their Minister", and the scarcely more searching:

> I dare say there will be difficulties with bureaucratic permanent officials just as there are to-day, but then it will be much clearer than it now is that these difficulties do not arise from the system but from the character of the people responsible for the working of the system.[60]

In *When Labour Rules*, JH Thomas covered various topics related to the state, including the monarchy, the franchise and Lords reform, but was entirely silent on the subject of the civil service.[61]

Only a few Labour leaders actually engaged with the nature of the civil service and potential reforms to it. Arthur Henderson argued in 1918 that:

> experience has shown us that the great administrative services, swathed in red tape, hampered by tradition, conservative by instinct, saturated with class prejudice, are a more effective check upon the reforming impulse than even a Parliament dominated by aristocratic and capitalist influences.

Henderson's two proposals for reform, beyond the general proposition that "Labour's aim is to establish democratic control over all the machinery of State", both concerned the Foreign Office: abolition of the private income requirement in the diplomatic service, and greater Parliamentary scrutiny of the Foreign Office.[62] These proposals had been made frequently by radicals long before the first world war, and did not represent any distinctively 'Labour' agenda. (As Stephen Howe has suggested, Labour's foreign policy proposals prior to 1914 were "fairly directly inherited from Victorian radical liberalism".[63])

Of leading Labour figures it was only really the Webbs who engaged seriously with the question of civil service reform. Being careful first to explain their belief that "it has been the supreme good fortune of Great Britain that she has, during

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[60] MacDonald, *Socialism and Government: volume 1,* pp 34-5; *volume 2,* p 130.
[61] JH Thomas, *When Labour Rules* (Glasgow: Collins, 1920).
[62] Arthur Henderson, *The Aims of Labour* (London: Headley Bros, 1918), pp 62-3.
[63] Stephen Howe, "Labour and international affairs" in Duncan Tanner, Pat Thane and Nick Tiratsoo, *Labour's First Century* (Cambridge: Cambridge University Press, 2000), pp 119-150. The Diplomatic Service and Foreign Office are considered in further detail in chapters 6 and 7.

the past century, developed a Civil Service of exceptional capacity and integrity", they went on to advocate comprehensive reforms.[64] The Webbs had been instrumental in the establishment of the London School of Economics in the late nineteenth century as a training ground for social scientists and public administrators, and in 1920 they highlighted the importance of professional training for civil servants:

> The development of the various departments of "control" will introduce to the Civil Service work of a type which it has so far been allowed to undertake only in an imperfect and, so to speak, a half-hearted way. The government departments have not, as a rule, been told that original investigation and research was within their function; their conceptions of accountancy and audit, costing and comparative statistics have been, until lately, quite rudimentary; and their function has been regarded as inhibitive of what was bad rather than as stimulative of what was good. It will clearly be necessary to train, for the control departments, a Civil Service of a new kind; to set these officers to develop a new administrative technique; and to enable them to study, on the spot, the various devices by which other nations, and other forms of organisation in our own country, are coping with analogous problems.[65]

The Webbs' new 'control' departments would have been responsible for monitoring the administration of public services and nationalised industries.

In 1918 Sidney Webb proposed the creation of a new department, under the control of the Prime Minister, to co-ordinate the work of the other departments. And from 1918 to 1920 Beatrice Webb was a key member of a Labour advisory committee on the machinery of government, which recommended an overhaul of recruitment and promotion for the civil service.[66] Taken together, this comprehensive and coherent package of reforms would have covered training and the greater use of expertise within the civil service; structural reform; and an overhaul of recruitment and promotion procedures.

It is worth considering why the majority of the party's leaders did not wish to engage with the proposals being made by the Webbs on civil service reform.

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[64] Webbs, *Constitution for Great Britain*, p 67.
[65] Webbs, *Constitution for Great Britain*, pp 175-6.
[66] Miles Taylor, "Labour and the Constitution" in Tanner, Thane and Tiratsoo, *Labour's First Century*, p 157.

One explanation lies in the context within which the party's leaders were working. In *Socialism and Government* one of MacDonald's key concerns had been to differentiate his socialism from the Marxist and anarchist views of the state as an obstacle to progress.[67] Marxists held that the state would wither away once common ownership of the means of production and exchange had been established. Anarchists argued that the state was at best unnecessary, at worst a means of repression, and advocated the abolition of government and voluntary-co-operation between individuals. Much of MacDonald's book was an attempt to convince socialists of the value of Parliamentary democracy and the state:

> The State is the political organisation of Society formed for the purpose of making the public will effective in the political sphere both by legislation and administration.[68]

Citing Rousseau and alluding to Hobbes, MacDonald attempted to place his moderate socialism as the latest of an evolutionary line of theories of the state. The book concentrated so much on the *legitimacy* of control over political economic and social affairs that it did not address how that legitimate control might be exercised *effectively*, nor the nature of the bureaucracy and the bureaucrats who would operate the system. Similarly, after the war, Labour's leaders faced a strong challenge from syndicalists who argued that state and Parliament were an irrelevance, and that improved conditions for workers could be achieved by direct action, such as strikes, against the dominant classes. Labour's moderate leadership therefore needed to emphasise the legitimacy of the state, leaving little scope for serious analysis of the *nature* of that state.

In the years before 1924 Labour's leaders argued that radical reforms were needed to British society. *Labour and the New Social Order*'s policy proposals included full employment at a fair wage (or, failing that, a comprehensive system of benefits); nationalisation of land, railways, canals, coal and electricity; taxation based on the ability to pay; and social reforms in housing, education and health. However, the leaders of the Labour party were steadfast

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[67] MacDonald, *Socialism and Government*; anarchism for example in volume 1 p xxiii; Marxism in volume 2 pp 110-16.
[68] MacDonald, *Socialism and Government: volume 2*, p 118.

in their belief that the existing British political system, and the state which supported it, could and should be used the pursue these aims.[69] If the system was thought adaptable enough to accommodate major changes, Labour's leaders would not necessarily wish to argue that the system itself required fundamental reform. This fed back into the determination of Labour's leaders to portray Labour as a moderate party, a strategy which would have been damaged by 'intemperate' calls for radical reform of the structure of the civil service and of the skills required of civil servants. As was argued at the end of the previous section, Labour took office in 1924 determined to prove its moderation and that it was 'fit to govern'. So while the Labour administration had been armed with various blueprints for civil service reform prepared by the Webbs between 1918 and 1924, it was far from certain that a government led by MacDonald would display any enthusiasm for implementing them.

5. Making the first Labour Cabinet

The way the first Labour Cabinet was put together reveals a great deal about the party and its leaders, and introduces four themes which remain relevant throughout the life of the Government.

The first theme is that some in the Labour party thought MacDonald failed sufficiently to be guided by or even consult the party in selecting his Ministers. Second, in the making of appointments MacDonald was criticised for pursuing recent converts, and even non-Labourites, and treating badly party stalwarts. The third theme, linked with the second, is that MacDonald tended to appoint to Ministries people who were not already expert in their briefs. The fourth theme, very much muted and in the background in the heady days of January 1924, was the mistrust of some in the Labour party for MacDonald; and conversely the effect of MacDonald's experience putting together his first Cabinet on his view of the Labour party.

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[69] Jose Harris, "Labour's political and social thought" in Tanner, Thane and Tiratsoo, *Labour's First Century*, pp 14-15.

Was it true that MacDonald did not consult sufficiently? In part, the criticism of Labour's first premier was inevitable. Labour's secular saint Keir Hardie himself would not have found himself above suspicion had he ever found himself in a similar situation. Until this point Labour had generally been in the business of opposition; opposing employers; opposing local councils; opposing governments led by unscrupulous Prime Ministers such as David Lloyd George. As noted in the first section of this chapter, after the 1922 election MacDonald became the first true leader of the political Labour movement. After the 1923 election he was far more than that: he was a premier-in-waiting. Even the most optimistic Labour supporter might well have experienced a shiver of apprehension at the corrosive effects that power might have on the young movement's leadership.

The first important meeting after the election was held on 11 December at the house of Sidney and Beatrice Webb. Dalton in his diary described the gathering as a post-election party; MacDonald in his as a meeting of the Labour party Executive. Not in dispute is that in a conclave consisting of MacDonald, Henderson, JR Clynes, Jimmy Thomas and Philip Snowden the key decision was made to take office if the opportunity arose.[70]

At this and later meetings Sidney Webb seems to have emphasized how difficult it was, in any circumstances, to form a Cabinet, and to have induced his colleagues to agree to give MacDonald a free hand in putting together the Ministerial team.[71] The suggestion that MacDonald should be given the usual latitude enjoyed by any Leader of a 'traditional' party in selecting his Ministers was made not by MacDonald, but by Webb, and was agreed to by all of the party's leaders.

Given this, the subsequent criticism of MacDonald for his failure to consult after his colleagues dispersed for the Christmas break is unfair, but does reveal a tendency for senior Labour figures to express disquiet about MacDonald's habit

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[70] Pimlott, *Political Diary of Hugh Dalton diary*, 12 December 1923; MacDonald diary, 12 December 1923.
[71] Webb, "First Labour Government", p 8; Fenner Brockway, *Socialism over Sixty Years: the life of Jowett of Bradford* (London: National Labour Press, 1946), p 207.

of holding himself aloof from the wider movement. Henderson went to stay with Snowden. Both, according to the latter, "expressed our resentment at MacDonald's secrecy".[72]

MacDonald's choice of companions over the holiday was insufficiently 'Labourish' for some. Emanuel Shinwell, for example, complained that MacDonald only took advice from very recent converts to Labour, who did not understand the party's traditions: General Thomson, MacDonald's golfing partner; and Rosslyn Mitchell and Lord Haldane, who both lived reasonably near to MacDonald's Scottish home in Lossiemouth.[73]

MacDonald's approach was no different to that of other political leaders who formed governments. But this was, perhaps, precisely the point. Both supporters and opponents of the Labour movement might have expected more 'Conference style' debate of possible appointments, rather than the traditional personal list drawn up in secrecy by the party's leader.

On the second theme – the pursuit of people on the margins of the movement at the expense of those at its heart – again, one or two facts are indisputable. MacDonald pursued Haldane with single-minded intensity. Haldane had been a reforming Liberal Secretary of State for War, and later a Liberal Lord Chancellor, who had gravitated towards the party since the war. On 23 December MacDonald wrote to Haldane to offer him his choice of President of the Board of Education, First Lord of the Admiralty, the Lord Chancellorship or the India Office.[74]

MacDonald's ardour is not difficult to understand. Haldane was well-respected, highly experienced, and would strengthen the administration in the Lords. None of these were qualities abundantly in evidence in the main body of the party. Haldane eventually settled on the Lord Chancellorship and Chairmanship of the Committee of Imperial Defence. His influence on Cabinet-making extended

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[72] Snowden, *Autobiography: volume 2*, p 598; Webb, "First Labour Government", p 9.
[73] Shinwell, *I've Lived Through It All*, p 64.
[74] NLS MS 5916.

further: Lord Parmoor and Viscount Chelmsford only accepted Ministerial posts in the Foreign Office and Admiralty respectively after obtaining Haldane's blessing.[75]

MacDonald's assiduous courtship of Haldane stands in stark contrast to this treatment of Arthur Henderson, the party secretary. From Lossiemouth MacDonald wrote to Henderson a letter containing the following passage:

> I have tried a list of Ministers without you, and with you as Chairman of Ways and Means.[76]

This was deeply wounding. The Chairmanship of Ways and Means was a middle-ranking House of Commons, non-government, post which was not even in MacDonald's gift. MacDonald later averred that his intention was to free up Henderson to tend to the party machine, but Henderson and his followers were deeply offended. MacDonald's action was, at best, insensitive given that Henderson had already been bruised by his defeat in the constituency of Newcastle East in the 1923 general election. At worst, it is plausible to speculate that MacDonald knew exactly what he was doing. MacDonald did not have a high regard for the stolid Henderson's abilities, and may have welcomed the opportunity presented by the electorate of Newcastle to exclude a senior figure who had lectured the post-election meeting at the Webbs on the importance of faithfully implementing the decisions of Conference.[77] Henderson fumed and, according to one (not always reliable) biographer, was only prevented from turning his back on the Government by the pleading of colleagues and family members.[78]

On the third theme, the tendency not to appoint those with extensive prior knowledge of a policy to the relevant department, it is instructive to note that *The Times* praised MacDonald's approach of "keeping Ministerial specialists

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[75] Parmoor to Haldane, 6 January 1924; MacDonald to Haldane, 12 January 1924 and Chelmsford to Haldane, 13 January 1924 (all NLS MS 5916).
[76] From Leventhal, *Arthur Henderson*, p 121.
[77] Snowden, *Autobiography: volume 2*, pp 594-6.
[78] Hamilton, *Arthur Henderson*, p 235.

away from their hobbies,"[79] but that others within MacDonald's own party were much less happy. The back-bench MP James Wilson wrote to MacDonald to complain about the appointment of Emanuel Shinwell, who did not have a mining background, as Mines Secretary:

> Your selection ... has already led to some heartbreaking ... it has revolted the Miners to place a man in that position who knows nothing about the industry. That has been our chief complaint for years against Liberal and Conservative administrations: that they selected men for that work who knew nothing of our industry. With the coming of Labour to office, it was expected that we'd be able to get an intelligent discussion on mining questions, with the Chief of the Department, instead of listening to permanent officials speaking through the figurehead of the government.[80]

As is detailed more fully in chapter 6, Arthur Ponsonby MP wrote to MacDonald in similar terms about the rumour that Jimmy Thomas, a trade unionist whose forte was not foreign affairs, was to be made Foreign Secretary.

The fourth and final theme, the relationship between MacDonald and his party, could easily be described in such a way as to hint that even in 1924 the cracks were discernible which would lead to the 1931 schism. Fenner Brockway, a left-wing Labour MP, sneered in his biography of FW Jowett (a Cabinet Minister in 1924) that "MacDonald was scared of taking office ... he was frightened by his own army."[81] And MacDonald wrote in his diary on 13 January 1924: "Busy, busy, Cabinet making. Looks as if it is to be the most horrible job in my life. Am beginning to suspect human nature."[82]

But Brockway's words were written from the historical vantage point of 1946; and MacDonald was always prone to melancholic outpourings in his diary. The entry for 10 January 1924, for example, reads "the people of my heart are dead"; that of 21 January 1924 records a despairing "I am so much alone". It would be misleading to suggest that there was anything other than an air of optimism and excitement across the Labour party, first at the 1923 election

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[79] *The Times*, 1 February 1924.
[80] from Peter Slowe, *Manny Shinwell* (London: Pluto, 1993), p 124.
[81] Brockway, *Jowett*, p 206.
[82] TNA 30/69/1753/1.

result, then during a mass rally at the Albert Hall on 8 January, and then after the Conservative Government was defeated in the Commons on 21 January by a combination of 186 Labour and 138 Liberal votes against 245 Conservatives and 10 Liberals. The following day Baldwin resigned, MacDonald was summoned by the King, and the Labour Government was sworn in.

In the end, Henderson became Home Secretary. As generally expected Philip Snowden became Chancellor of the Exchequer. MacDonald became his own Foreign Secretary. These two latter appointments are examined in greater detail in chapters 3 and 6. The Cabinet and full team of Ministers are listed in the Appendix. Of the full Cabinet, the trade unions were perhaps a little under-represented, but some such as Robert Smillie (President of the Scottish Miners' Federation), actually refused office, indicating that the industrial wing of the Labour movement was not yet entirely convinced that politics were the only or necessarily the best way to advance the interests of their members.[83]

Having taken office, the first Cabinet Minister to 'hit the headlines' was John Wheatley at the Ministry of Health, and it is to this Minister, and this department, that we now turn.

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[83] Gordon Brown, *Maxton* (Edinburgh: Mainstream, 1986), p 151.

Chapter 2 – The Ministry of Health

1. John Wheatley

John Wheatley had only entered Parliament in 1922, and on his appointment as Minister of Health in January 1924 he lacked the experience in national administration that Labour politicians such as JR Clynes and Arthur Henderson had gained in the war-time coalition governments. He did, however, have behind him a long career in local politics in Glasgow, and first-hand knowledge of working-class housing questions. Wheatley was a member of the vociferous left-wing Clydeside group of MPs, of whom the Conservative MP Thomas Inskip said: "they supply the ginger that inspires the Labour Party".[1] Wheatley was seen as the one true left-winger in the Cabinet, his presence perhaps simply a sop to the radical wing of the party.

Wheatley's investiture indicates the fine line he was to walk during his ten months as Minister of Health. Although he was one of the minority of Ministers who refused to wear Court Dress to receive his seal of office from the King he did, as protocol required, kneel to kiss the King's hand. In his memoirs Emanuel Shinwell, a junior minister in the Government, claimed that the Prime Minister was far more annoyed by Wheatley's behaviour than was the King.[2] For Ramsay MacDonald, Wheatley's actions seemed to justify his initial worries about appointing Wheatley. On 26 January MacDonald had recorded in his diary: "Wheatley finally fixed. Necessary to bring Clyde in. Will he play straight."[3] Relations between MacDonald and Wheatley were strained throughout the life of the Government, and were to deteriorate further when Labour returned to opposition.

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[1] HC Debates, 22 February 1924, Vol 169, col 2245.
[2] Shinwell, *I've Lived Through It All* (1973), p 71.
[3] MacDonald diary, 22 January 1924.

2. The Ministry of Health

The Ministry of Health was created in 1919 by the merger of various bodies, the largest of which was the Local Government Board.[4] The LGB had been responsible for drawing up the radical Housing and Town Planning Act 1919 (see page 52), but until then had usually pursued cautious policies. The generosity of the 1919 Act was a victory for the more radical Ministry of Reconstruction (formed during the war and abolished shortly afterwards), and a defeat for the Board.

Public health, housing and the administration of the poor law were the most important of the new Ministry's responsibilities, usually pursued in conjunction with local authorities. Sir Robert Morant was the first First Secretary, and John Anderson its first deputy. Morant had made his name as the architect of the pioneering Education Act 1902. In 1911 he had become the chairman of the National Insurance Commission, and the new Ministry had in part been his brainchild. With this background, Morant might have been expected to provide vigorous backing for active policies on, for example, housing. However, his death early in 1920 and the appointment of Sir Arthur Robinson as First Secretary contributed to a more cautious atmosphere at the top of the Ministry. Robinson remained in the post until his retirement in 1935. Anderson only stayed at the Ministry a few months (long enough to establish the Ministry's administrative structure and appoint its senior staff) before becoming the Chairman of the Board of Inland Revenue. His major contribution to the Ministry was to agree with the Treasury that Ministry of Health civil servants would have the same pay and grading structure as any other senior Ministry, and (with the backing of Dr Addison, the first Minister of Health) to increase the number of

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[4] Various papers relating to the creation of the Ministry are in TNA MH/78/68. See also Philip Abrams, "The Failure of Social Reform 1918 to 1920", *Past and Present*, 24 (1963), pp 43-64; Sir Arthur Newsholme, *The Ministry of Health* (London: Puttnam's, 1925).

senior posts the Treasury intended to allow for the Ministry.[5] Sir Aubrey Symonds succeeded Anderson, remaining as deputy until 1925.

In 1922 the Geddes Committee proposed the Ministry's abolition, and, though it survived, its administrative structure was severely cut back. In 1924 Wheatley inherited a Ministry which was generally regarded as being under the influence of cautious, conservative, civil servants, and there was some speculation as to whether Minister and Ministry would be able to work together constructively.

3. The Poor Law

This speculation was given credence by one of Wheatley's first decisions as Minister. In 1924 poor relief was still administered by the locally elected Boards of Guardians established by the Poor Law Amendment Act 1834.[6] Since the war the Guardians of Poplar in east London had scales of relief far in excess of those operated by other Boards. In 1921 some of the Guardians, including the future Labour Minister George Lansbury, had been briefly imprisoned for withholding contributions to the London County Council and devoting the money to relief payments - but this had failed to deter them. In 1922 the Minister of Health, Sir Alfred Mond, issued an Order under powers in the 1834 Act to limit the scales of relief which the Poplar Guardians could operate, to require that any relief proposed to be given in excess of this amount should be referred to the Ministry of Health, and to hold the Guardians liable to surcharging for any relief in excess of the prescribed scale not approved by the Ministry.[7]

Most of the Labour leadership were embarrassed by the activities of the Poplar Guardians, but soon after taking office Wheatley met representatives of the Board and then announced that he would rescind the Order. Wheatley was

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[5] Memoranda and correspondence in TNA MH/78/60.
[6] in England and Wales only. In Scotland the poor law was the responsibility of parish councils.
[7] Ministry of Health Annual Report 1922-23; and Report of the Public Inquiry into the Poplar Board of

roundly criticised for his trouble, both in the press and at a Cabinet meeting on 8 February.[8] At this meeting MacDonald instructed Wheatley, "in view of the great public interest and the anxiety in financial circles which ... had been aroused by this decision", to issue immediately an explanation of his actions, to be cleared beforehand with the Lord Chancellor, who had already been privately critical of Wheatley's action.[9] The Prime Minister went on to ask that in future all of his Ministers should consult him before announcing any major new policies.

On the same day the Ministry of Health's most senior civil servant, Sir Arthur Robinson, wrote a note to Wheatley, requesting that he check certain of the Ministry's papers on the Poplar Board. He added that, of Wheatley's three immediate predecessors, only Sir William Joynson-Hicks had "really faced the logic of the question, though personally I advised him against the conclusion he actually reached."[10] This claim is not supported by the papers extant in The National Archives. In a note dated 19 January 1923 Robinson suggested to Joynson-Hicks that the only solution to the Poplar problem might be to pass an Act to allow the Government to dissolve Boards of Guardians.[11] The Conservative Government was, in fact, about to introduce such a bill when it fell.[12] Robinson's equivocation in his note to Wheatley is perhaps understandable given their lack of familiarity, and the reaction Robinson might have expected from Wheatley if Robinson had proposed the dissolution of the Poplar Board, but does raise the question as to whether Robinson was entirely honest with his Minister subsequently.

Guardians, 1922 (Cmd. 1944). George Lansbury's account of Poplarism can be found in his autobiography, *My Life* (London: Constable and Co, 1928).

[8] *The Times*, 9 February 1924; and Cabinet conclusions 11(24), 8 February 1924.

[9] Letter from Lord Haldane to Elizabeth Haldane, 7 February 1924, MS 6013.

[10] Memorandum by Robinson to Wheatley, 8 February 1924, TNA MH/79/305.

[11] Memorandum by Robinson to Joynson-Hicks, 19 January 1923. Further evidence of the opposition of senior Ministry of Health civil Servants to the Poplar Board's activities comes in a note dated 10 October 1922 by a senior Ministry of Health civil servant to Robinson, arguing that no further concessions should be made to Poplar, and that they would toe the line if threatened with coercive measures (both in TNA MH/79/305).

[12] Cabinet conclusions 49(23).

The issue exploded in the House of Commons on 13 February, when the Liberal leader Herbert Asquith sensationally announced to the House of Commons:

> I wish to say in the plainest and most unequivocal terms, that unless the Government can see their way, as I hope they will, to reconsider their action ... I do not think there is the least chance of that administrative act [the rescission of the Poplar Order] receiving the countenance or approval of the House of Commons.[13]

Some of the few positive reactions came, unsurprisingly, from the Poplar Guardians. Lansbury later wrote in his autobiography that Wheatley had "lightened our task so far as it was possible to do so by administrative act."[14] (Lansbury might have been less grateful had he known of Wheatley's longer-term plans for poor law reform (see page 47)).

Wheatley rallied and launched a vigorous defence of his actions, circulating a memorandum to his Cabinet colleagues, issuing the statement demanded at the Cabinet meeting on 8 February, and eventually publishing a Government leaflet defending the rescission.[15] On 26 February the Commons debated the Liberal motion of censure, but Wheatley turned this threat to his advantage. In a good-tempered speech, he pointed out that none of his three predecessors had enforced the Order, despite having clear evidence that the Guardians were acting illegally. Each week, the Board had been referring to the Ministry of Health every case in which it paid out more than the maximum permitted amount: usually totalling several hundred pounds per week. The total surcharge for which the Guardians were liable under the Mond Order was an extraordinary £160,000: this was likely to prove more, Wheatley thought, than the Poplar Guardians would be able to pay. He added that the Guardians were not now immune from punishment: they were subject to the same rules and regulations as every other Board in the country. He concluded:

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[13] HC Debates, 13 February 1924, vol.169, col 863.
[14] Lansbury, *My Life*, p 167.
[15] Cmd. 2052.

I have not surrendered to Poplar; I do not intend to surrender to Poplar. I have rescued my Department from a state of degradation. I have put my Department in a position in which it can and will enforce the law, and will do so fearlessly because impartially and fairly. It is ridiculous to suggest that in so doing I have encouraged extravagance and illegality in any part of the country.[16]

The secretary to the Speaker of the Commons was moved to write that Wheatley's was "really a most excellent speech and very well received in the House."[17] Wheatley's defence was so successful that the debate petered out without a vote on the motion. Beatrice Webb exclaimed, with characteristic over-statement, that Wheatley was now a rival for MacDonald for the leadership of the party, and Asquith confided to Snowden "that in all his Parliamentary experience he had never heard a Minister make a more convincing defence of his action."[18] The *Daily Herald* trumpeted Wheatley's speech as "the biggest success yet by any member of the Government."[19] The crisis had blown over as quickly as it had erupted.

Wheatley had shown that it was possible to over-ride civil service concerns and successfully carry out a policy against the wishes of his senior civil servants. He had also managed to outmanoeuvre the Prime Minister and the rest of the Cabinet by acting quickly, and marshalling a convincing case in his defence. Despite his lack of experience of central Government, Wheatley had also realised early on that legislation was not the only way for the Government to make its mark. This was particularly important given Labour's minority position in the Commons, and the lesson was not lost on other Ministers such as CP Trevelyan at the Board of Education.[20]

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[16] HC Debates, 26 February 1924, vol 170, col 349.
[17] House of Commons Library, *Secretary to the Speaker – Ralph Verney's correspondence* (London: Commons Library Document No 22, TSO, 1999), letter from Verney to wife 27 February 1924.
[18] Wood, *John Wheatley*, p 125; and Snowden, *Autobiography: volume 2*, p 631.
[19] *Daily Herald*, 28 February 1924.
[20] AJ Morris, *CP Trevelyan: portrait of a radical* (Belfast: Blackstaff, 1977), pp 158-9.

In the long run Wheatley's action achieved nothing more than to delay the executioner's axe. In 1926 the Conservative Government passed the Board of Guardians (Default) Act, which permitted the dissolution of over-generous Boards. Poplar, along with two other Boards, were duly abolished and replaced by panels appointed by Neville Chamberlain, the Minister of Health. In 1929 the Local Government Act abolished Boards altogether and transferred their functions to county and borough councils (see page 48). After 1924, freed from the constraints of office, Wheatley ceased to defend his action on the ground that the 1922 Order had been unworkable, and shifted to outright support for Poplarism.[21]

There are three other episodes relating to the Labour Government's handling of the poor law which are worthy of note, but which attracted far less attention in 1924 than the rescission of the Poplar Order. The first arose during a dockers' strike the month after the Government took office. Certain poor law authorities requested Ministry of Health guidance on whether they should grant poor relief to the strikers and their families. The legal situation was not entirely clear, though a 1900 High Court ruling held that someone who was voluntarily out of employment was not eligible for relief. (If a man became so incapacitated that he was unable to work, he would be eligible for relief as an invalid - that is, if the authority chose not to prosecute him under vagrancy laws for neglecting his health!) There was, furthermore, the practical objection that granting relief would be seen by many as taking the dockers' side against the owners by allowing the workers to prolong the strike indefinitely. Wheatley was therefore in a difficult situation. On the one hand, the law seemed to indicate that poor law authorities could not grant relief to strikers; and the Prime Minister wished to be seen as governing for the entire nation, not one section of it, and was wary of taking measures in support of the strikers.[22] On the other hand, the Government's supporters - especially the trade unions - expected assistance from the new

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[21] Wood, *John Wheatley*, p126.

[22] Indeed, emergency powers legislation was authorised in case the strike went ahead.

Government. Wheatley consulted his civil servants and came up with a possible compromise solution: the Ministry could issue an Order directing that any relief to strikers should be given in kind, not cash. This would be less likely to be seen as an inducement to the dockers to continue with the strike.[23] The Cabinet baulked even at this compromise and concluded blandly that the Ministry of Health should not issue a circular on the subject "but, if enquiries were made, they should assist Local Authorities to a knowledge of the law."[24] In the event, the dispute was settled before striking dockers sought help from the poor law.

The second episode reveals Wheatley taking a more orthodox line, this time with the support of his Cabinet colleagues. In February Wheatley received a deputation led by Labour MP Will Thorne, requesting that grants should be made from state funds to the more "necessitous" poor law authorities in England and Wales (ie. those which relieved more people per head of their population than the national average). A similar request had already been turned down by the Conservative Minister of Health in 1923, on the grounds that it failed to distinguish between extravagant authorities and those in genuine need, and that it discouraged self-reliance. Wheatley agreed with this analysis and thought that the cost - £4.4 million per annum - would be prohibitive. The Cabinet agreed with Wheatley that the request should be turned down, and subsequently sided with him against the Scottish Secretary, William Adamson, who argued that a special exception should be made for necessitous Scottish authorities.[25]

The final episode concerns Wheatley's efforts to achieve a general reform of the poor law, which had already been investigated by a Royal Commission of 1909 and then by a Committee chaired by Sir Donald Maclean in 1918. The chaotic state of the poor law, and the administrative inefficiency caused by the overlap of poor law authorities and county and borough councils, was a source of great

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[23] Cabinet paper 122(24).
[24] Cabinet conclusions 15(24), no. 3.
[25] Cabinet papers 135(24), 189 (24) and 197(24); and Cabinet conclusions 22(24), no. 3.

concern to politicians and Ministry of Health officials alike. Ministry of Health officials prepared a departmental memorandum on poor law reform; and Wheatley then proposed a three-party-conference to agree a scheme of reform based on the Maclean Committee's recommendations.[26] This proposal fell through, but in August Wheatley gained the Cabinet's approval to bring in a plan of his own. Wheatley and the Ministry took up Maclean's recommendation that the Boards of Guardians should be abolished and their functions handed over to the county and borough councils. In London the situation was different because a Metropolitan Common Poor Fund existed to equalise, to a certain extent, the cost of poor relief across the capital. Maclean had recommended that the metropolitan borough councils should be given responsibility for distributing relief, but that the London County Council should provide two-thirds of the funding. This was the one important recommendation by the Maclean committee with which Wheatley disagreed, because it would not solve what he himself termed "the Poplar problem".[27] Wheatley proposed that this could be resolved by giving the London County Council the dominant role in the distribution of relief, as well as in the overall funding of the scheme. Although the Government fell before further headway was made with the reform plan, it was similar to the eventual poor law reform implemented by Neville Chamberlain in the 1929 Local Government Act.

This evidence shows that Wheatley did not simply seek to take the 'radical' line on all occasions. In fact, his early, headline-grabbing, decision to rescind the ineffectual Poplar Order contrasts strikingly with some of the tougher decisions he made on, for example, financial support to necessitous poor law authorities, and the Government's inaction over relief to striking workers. The plans to change the poor law reveal Wheatley and his civil servants working in harmony

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[26] The memorandum is attached to Cabinet Paper 429(24).

[27] Cabinet Paper 173(24). The Poplar Guardians and the local councillors were largely of the same outlook - and often the same people. The Council would therefore probably pursue similar policies to the old Board of Guardians when giving out relief.

on a complicated administrative reform, which was subsequently adopted by the 1924-29 Conservative Government.

4. Development of housing policy up to 1924

Housing policy was not to the fore in the 1923 election campaign, but since the war it had been an important and controversial issue. Up to 1924, and beyond, three main strands can be identified in housing policy: first, attempts to improve housing conditions, particularly in the slums; second, state action to add to the housing stock; and, finally, state intervention in landlord-tenant relations.

The first strand of housing policy to emerge, in the nineteenth century, was the attempt to eradicate the worst of the slums, for example by the Artisans' and Labourers' Dwellings Improvement Act 1875 which permitted local authorities to pull down the worst slum houses and allow new dwellings to be built in their place. This policy was largely 'negative' in the sense that it relied on pulling down unfit housing but had little positive to say about what should be put in its place and who should pay for it.

In the decade after the first world war, including during the first Labour Government, this policy was generally in the background of policy-making, and only returned to the fore in the 1930s, when the various house-building schemes - together with a resurgence in unsubsidised private building - had greatly increased the overall housing stock, and as a result of the great depression large Government subsidies were out of favour. In these conditions attention was once again focused on making improvements to the worst quality housing, for example by the Housing Act 1930, which granted subsidies to local authorities for slum clearance.

State aid for building new houses

In the last decade of the nineteenth century, momentum gathered for a more "positive" policy of not just pulling down the worst houses, but of adding to the overall stock of housing. The Housing of the Working Classes Act 1890 permitted local authorities to do just that, and between 1890 and 1913 the London County Council provided housing for 25,000 people under the Act.[28] This was small beer when compared with the population of Greater London – 6.6 million in 1901 – but it did indicate a growing acceptance of public responsibility for providing housing for those who were unable to obtain it for themselves.

Changing economic and social conditions conduced to increase the impetus for further state involvement in housing. From the 1890s until the start of the war, building costs rose while the amount tenants could afford to pay stayed the same. At the same time, interest rates rose, making it more difficult to borrow capital to build, and decreasing the attractiveness of building houses for rent or sale as a vehicle for investment. Pressure groups such as the Workmen's Housing Council translated these economic and social factors into political pressure.

The 'Garden City Movement' inspired the foundation of model villages such as Bournville, 'garden cities' such as Letchworth, and 'garden suburbs' such as Hampstead. it sought to ensure that new housing did not repeat the mistakes of the old: as well as increasing the quantity of houses, government schemes should improve the quality of the houses being built and ensure a lower density of housing.

A variety of ideas were also put forward by those on the political left, all supporting an extension of state activity. Wheatley himself wrote a pamphlet in

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[28] Mark Swenarton, *Homes Fit for Heroes* (London: Heinemann, 1981), p 28.

1913 which proposed that low density suburban housing in Glasgow should be financed from the surplus profits of the city's tramway system. Abolishing interest from the calculation, he argued that the houses could be self-financing at the very low rental of £8 per year.[29]

The desire and capacity of local authorities to involve themselves in housing varied widely across the country, but in general there was an increasing acceptance that this was a proper sphere for action.

The first world war exacerbated all of these trends. Some historians have argued that the war represented a watershed in housing policy, as in other areas of social policy, while others have discerned a more steady evolution.[30] What is indisputable is that the war brought private house-building to a standstill and saw a massive increase in state-funded house-building. During the war the Government urgently needed to move workers to the factories producing munitions and other materials essential for the war effort. To facilitate this the Ministry of Munitions spent over £4m on providing housing, much of it temporary but some - such as that in Woolwich and Gretna - of a more permanent nature.[31] Other branches of government followed suit on a smaller scale.

In 1917 the pressure on the Coalition Government to plan for post-war reconstruction led to an announcement that 'something would be done' to provide houses. In 1918 the influential Tudor Walters Report concluded that 500,000 new working-class houses were needed.[32] (In the l940s Maurice Bowley calculated that if anything this had underestimated the extent of the

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[29] John Wheatley, *£8 Cottages for Glasgow Workers* (Glasgow, 1913). See also, for example, Patrick Dollan, *The Clyde Rent War!* (Glasgow: Scottish ILP, 1925).
[30] For the former view see, for example, Marian Bowley, *Housing and the State* (London: George Allen & Unwin, 1945); for the latter view see, for example Martin Pugh in Stephen Constantine, Maurice Kirby and Mary Rose (eds), *The first world war in British History* (London: Edward Arnold, 1995).
[31] David Englander, *Landlord and Tenant in Urban Britain 1838-1918* (Oxford: Clarendon, 1983), p 263.
[32] Cd. 9191.

problem, and that the deficiency was in excess of 1 million houses.[33]) The Government adopted the half-million houses figure as its target and also endorsed the argument that the houses to be built should be better in quality than existing working-class housing: its slogan was “homes for heroes”, and it promised a massive house-building programme when the war was over.

At the war’s end, the Labour Party's 1918 election manifesto declared: “Labour demands a substantial and permanent improvement in the housing of the whole people. At least a million new houses must be built at once at the State's expense, and let at fair rents, and these houses must be fit for men and women to live in.”[34] Having gained a massive majority in the 1918 election, the Coalition Government embodied its own housing proposals in the Housing and Town Planning Act 1919, which permitted local authorities to build houses conforming to certain conditions, particularly as to minimum and maximum permitted sizes and that they should be let rather than sold. The authorities would borrow the money to build the houses, and the Treasury would pay for the authorities’ annual losses on their loans, less the contributions from an extra 1d. on the rates and ‘affordable’ rents from the tenants of the houses. In other words, the Treasury subsidy was open-ended and would rise as the cost of building houses rose.

The economic conditions for the scheme were not propitious: it was launched in the middle of the post-war economic boom, and competition from the private sector for materials and labour was fierce. Some elements in Government, most notably the Ministry of Reconstruction, argued that the war-time controls should be extended into the reconstruction period, and that resources should be allocated to the highest priorities - particularly the subsidised housing programme. Other elements pushed for the immediate elimination of controls and, with the vociferous support of business and most of the media, controls

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[33] Bowley, *Housing and the State*, p 11.
[34] Labour Party election manifesto, 1918.

were lifted. This lack of any supply-side policy measures contributed to the rapid rise in the cost of the subsidised houses: in 1918 the cost of a house had been estimated at £600: in 1920 it was actually averaging £1200. The Treasury subsidy per house was £1080.[35] In the summer of 1921, with industrial unrest largely quelled (the Triple Alliance had been faced down earlier that year), and the economic situation deteriorating rapidly, the Government decided to close the 1919 Act to new proposals. As a result, only 214,000 "homes for heroes" were ever built: 174,000 by local authorities or public utility societies, and 40,000 by private enterprise.[36] The maximum annual cost of the scheme was £9.7 million, in 1922-23, and the average cost in the years 1924-25 to 1938-39 was £6.8 million.[37] Swenarton has contended that the Act was only ever intended to head off civil unrest, though other historians have argued that the Government genuinely intended to build its 500,000 houses, and were only blown off course by the economic crisis of the early 1920s.[38]

After the failure of the 1919 Act, little was done until 1923, when Neville Chamberlain became Minister of Health. His Housing Act of that year marked the next stage in the evolution of housing policy. Chamberlain blamed the high cost of houses built under the 1919 Act on the unlimited subsidy offered to local authorities, which gave them no incentive to be economical, so his housing scheme conformed to the principles of sound finance. The Treasury contribution to each house was limited to a maximum of £6 per year for 20 years, provided (as with the 1919 Act) that the house was built to certain specifications. Local authorities were only to build if private enterprise did not. Once the houses were built they could be sold or let with no restriction on the rents which could be charged.

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[35] Swenarton, *Homes Fit for Heroes*, p 122 and Ministry of Health Annual Report, 1922-23, p x.
[36] Bowley, *Housing and the State*, p 23.
[37] Ministry of Health Annual Report 1922-23, p x.
[38] Swenarton, *Homes Fit for Heroes*, p 79. For the contrary view see Kenneth Morgan, *Consensus and Disunity: The Lloyd George Coalition Government 1918-1922* (Oxford: Oxford University Press, 1979).

There was one important similarity with the 1919 scheme: it was intended to be a finite measure to tide the house-building industry over what were still seen to be abnormal conditions. When he introduced it to the Commons Neville Chamberlain said that the purpose of his housing scheme was "to tide over the interval until these houses could be built without state assistance". The subsidy was only available for houses built before October 1925, and, again as in 1919, there were to be no attempts to increase the supply of skilled labour or materials, which might have helped to keep down the cost of the scheme.[39]

The short-term nature of the scheme, and the bias towards private enterprise over local authorities, were partial concessions to the local associations of property owners. These associations sought to reduce the level of state 'interference' in the housing market, particularly state aid for house-building, which tended to decrease their rents by increasing the supply of houses available for rent - and supported the phasing out of rent controls which, they argued, would increase the number of houses available to let.[40]

Landlord-tenant relations

As well as seeing a massive increase in state funding for new house building, the first world war witnessed the explosion of tenant-landlord relations to the forefront of domestic politics. Previously the law had favoured the landlord, who could take advantage of the common law of distraint to seize a tenant's possessions if the rent was not paid, and apply to the court for an eviction order if he wished to eject a sitting tenant.

The war witnessed a substantial swing in favour of the tenant. The war's early years saw large rises in rents, which were met by increasingly well-organised

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At the time, the Government cited both reasons as motives for introducing the Bill (HC Debates 7 April 1919, vol 114 col 1713.

[39] HC Debates 24 April 1923, vol 163 col 308.

[40] See, for example, ST Talbot, *The Rent Bill: Observations* (Birmingham, 1923).

opposition by tenants, particularly in Glasgow where there was a widespread rent strike. Englander has credited the strike with forcing the Government to pass the Rent Restriction Act 1915, which fixed rents for working-class housing at pre-war levels. Others have emphasised the macro forces at work which led to the introduction of some form of rent control in all of the belligerent countries.[41] The crucial point is that the free market in low-cost rented housing had been interfered with, though most politicians still viewed the 1915 Act as a finite emergency measure to be removed at the end of the war.

Given the acute housing shortage it actually proved impossible for the Coalition Government to decontrol rents, and the rents legislation was one of the few war-time controls which survived long into peace-time, initially in the form of the Rent and Mortgage Interest (Restrictions) Act 1920. This locked the housing market into a vicious cycle, the below-market rents further discouraging the building of houses to let and so exacerbating the housing shortage.

In 1923 Chamberlain envisaged that his house-building scheme would increase the housing stock to the point where rent control would be unnecessary, and so his Housing Act was accompanied by a Rent and Mortgage Interest Restrictions Act, which provided for the eventual dismantling of the rent control system. New houses would not be subject to rent control, and once existing houses fell vacant, their rents would be decontrolled. Chamberlain's intention was that, once a sufficient number of new houses had been built, all rents would be returned to free market levels. This had the effect of encouraging landlords to attempt to evict sitting tenants, and in the eight months following the passing of the Act there were 35,000 actions for possession or ejectment.[42]

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[41] Englander, *Landlord and Tenant in Urban Britain*, p 210; for the contrary view see Bowley, *Housing and the State*; and Paul Barton Johnson, *Land fit for Heroes: the Planning of British Reconstruction, 1916-1919* (Chicago: University of Chicago Press, 1968).
[42] Englander, *Landlord and Tenant in Urban Britain*, p 307.

Policies of the parties during the 1923 election

The preceding sections have outlined the major developments in housing policy up to 1924. Until the first world war, state intervention had been on a modest scale, and concentrated on the destruction of the worst housing. After the war, state intervention was massively increased and there were two subsidy schemes aimed at increasing the number of new houses being built. Finally, during and since the war, governments had interfered with the hitherto unrestricted relations between landlords and tenants.

In the immediate aftermath of the war all parties had promised vigorous action to increase the housing stock, but by the early 1920s sweeping government schemes had fallen out of favour. The Liberal party did not, during the 1923 election campaign, urge the return of the Coalition Government's grand housing scheme introduced by the (then) Liberal Christopher Addison: it simply called in its manifesto for "the rapid and adequate provision of Housing Accommodation". The Conservative party had exhausted its ideas with the passing of the 1923 Housing Act: housing was not mentioned at all in its manifesto.[43] Labour's 1923 manifesto proposals on housing were more modest than the target of 1 million new houses put forward in 1918. Their goal was now simply to "promptly build an adequate supply of decent homes and resist decontrol till the shortage is satisfied". In part this reflects the increasing timidity of the leadership as the party edged closer to office. The following sections examine the Labour Government's attempts to stimulate the building of more houses, and to adjust relations between tenants and landlords.

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[43] Labour's Appeal to the Nation, 1923; A Call to the Nation - the Liberal Manifesto, 1923: Mr Stanley Baldwin's Election Address - the Conservative Manifesto, 1923.

5. House-building programme

Development of the housing policy

At its first meeting, on 23 January 1924, the Labour Cabinet decided to establish a committee on unemployment "and the connected question of housing", under the Chairmanship of Sidney Webb and with Wheatley as a member.[44] The committee immediately split itself into two sub-committees, one on unemployment and one, under Wheatley's Chairmanship, on housing. The paucity of official Labour policy on housing meant that Wheatley had a relatively free hand, and was able to borrow freely from previous schemes and other contemporary ideas.

As a first step on 6 February Wheatley and the Minister of Labour Tom Shaw met representatives of the housing-building industry, including representatives of small and large employers, and the employees. Wheatley's approach was pragmatic and conciliatory. A National Housebuilding Committee was set up to investigate the state of the industry and to make recommendations, under the Chairmanship of a member of the National Federation of Building Trades Employers and the Vice-Chairmanship of a member of the National Federation of Building Trades Operatives. The Ministry of Labour provided a secretariat for the Committee but the Government was otherwise unrepresented. On 19 February Wheatley met representatives of the manufacturers and suppliers of building materials, and a second committee was established to investigate the supply of building materials. Wheatley envisaged that the recommendations of the two committees would assist in the implementation of the housing-building scheme being prepared by the Cabinet's housing sub-committee. The various meetings chaired by Wheatley were good-tempered affairs, with the Minister adjusting his speeches to suit each audience. At the meeting with the building manufacturers and suppliers he said:

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[44] Cabinet conclusions 7(24).

> "We want materials, and we do not want them free of profit: we want materials at a fair profit (Hear hear); we want the houses erected at a fair and reasonable price, and we want you to meet us in that spirit."[45]

Wheatley had already asked his civil servants to calculate the deficiency in the country's housing stock and to identify the problems which would need to be overcome if the volume of house building was to be increased. This information was the basis of the housing sub-committee's report to the Cabinet on 8 February. The sub-committee's report identified a need for a 10-year housing programme. During this time, 30,000 new houses per year would be needed to make good the accumulated shortage in the housing stock for England and Wales; 75,000 per year would be needed to provide for normal population growth, and 45,000 per year would be required to provide for the renewal of unsatisfactory housing. In Scotland, 50,000 houses per year were likely to be needed. In total, then, the housing programme had to facilitate the building of 200,000 houses per year. The sub-committee concluded that stretching the programme from 10 to 15 years, which would reduce to 150,000 the number of houses required per year, would be more likely to succeed as it would reduce the programme's annual cost.

The potential problems identified by the sub-committee were the shortage of skilled labour and, less seriously, of materials; the possibility of profiteering; and the cost of an expanded subsidy scheme to bridge the gap between the cost of the houses and a "fair rent".

The sub-committee was not entirely hostile to the Chamberlain scheme, but stated that it was failing to provide houses "which can be let at a rent which the workers who erect the houses can afford to pay". In the sub-committee's opinion a "fair rent", including rates, would be in the region of 8 shillings per week, which was the average of rent and rates for working-class tenants before

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[45] Transcript of meeting in TNA HLG/52/750.

the war. The sub-committee therefore proposed to modify the Chamberlain scheme, and make an increased subsidy available for houses which were built to let. It also recommended that statutory powers should be taken against profiteering, and that the labour pool should be expanded by, for example, promoting more labourers to craftsmen.[46]

The Cabinet gave the package a generally favourable reception, though at Snowden's insistence there was some tightening of the financial terms. In particular, for purposes of estimates 9 shillings - not 8 - was now to be taken as an average “fair rent”.

The National Housebuilding Committee (NHC) and the Committee of Building Manufacturers and Suppliers both reported on 10 April, and their conclusions supported the scheme put forward by the Cabinet sub-committee. The NHC concluded that a 15-year house-building programme would encourage more young men into the industry. This increase in labour, together with a state subsidy, would enable production to be boosted from the current 40,000 houses per year to a maximum of 225,000 houses per year. The NHC also recommended the creation of a statutory National House Building Committee to co-ordinate the house-building programme.[47]

Wheatley was also careful to keep on-side the local authorities, which would be asked to build the houses and were therefore central to the house-building programme. Soon after the publication of the NHC's report Wheatley met representatives of the local authorities to set out the principles of his housing policy: the adoption of a long-term subsidy scheme; supply-side measures; and “fair rents” for working-class tenants. At the request of the local authorities Wheatley agreed that the maximum size of the houses to be built under the new subsidy would be the same - not larger - as those built under the Chamberlain

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[46] Cabinet paper 89(24).
[47] Report of the National House Building committee, together with the Report of the Committee of Building Materials and Suppliers, 1924 (Cmd. 2104).

subsidy.[48] This adroit concession subsequently helped Wheatley to defend in the Commons a policy for which he had roundly condemned Chamberlain the year before.

Housing (Financial Provisions) Act 1924

The Government introduced its Housing Bill on 5 June, after careful preparation and consultation with all interested parties. At the Bill's second reading Wheatley was moderation itself. He explained that the Bill would extend the subsidy period under the 1923 Act from 1926 to 1939, and would free the local authorities from the obligation to prove that private enterprise could not carry out any building that they proposed to undertake. The subsidies available under the 1923 Act would be increased to £9 per year over 40 years for houses which conformed to the size requirements laid out in the 1923 Act and which also met certain other conditions: that the houses must be let to tenants who would live there, that sub-letting was forbidden without the written consent of the local authority, and that the house could not be sold without the written consent of the Ministry of Health. The rents would have to be equivalent to the rents currently charged in the locality for working-class houses erected before the war. If this rent and the subsidy were insufficient to cover the cost of building, the local authority would have to contribute up to £4 l0s per year through the rates. If this were unnecessary the authority could reduce the rates accordingly. However, if the total amount so raised was still insufficient to cover the cost of building, then the rent of the house could be increased. Finally, a fair wage clause would have to be included in all building contracts. In agricultural parishes - that is, a parish in which the net annual value of the agricultural land exceeded one-third of the total annual value of the parish and in which the population was less than 35 persons per 100 acres - the subsidy would be £12 10s per year. As the Ministry had previously made known, the new higher subsidy would apply to all eligible

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[48] Letter from WA Robinson to local authorities dated 12 May 1924, TNA HLG/29/130.

houses approved under the 1923 Act since 1 February 1924.[49] Crucially, Wheatley showed that he was not hostile to private enterprise by announcing that the lower Chamberlain subsidy would continue to be available for houses which failed to meet the requirements in the present Bill but which did meet the requirements of the 1923 Act.

The Bill provided for triennial reviews of the scheme, which could end or reduce the subsidy if the industry was failing to construct sufficient houses, or if it ceased to be necessary. The subsidy could also be stopped temporarily if a body of independent persons appointed by the Minister found that the cost of erecting houses was unreasonably high.

Wheatley stated that all sides of the industry had made a commitment to do what they could to solve the national housing shortage. The housebuilders had made a commitment to build a certain number of houses. The unions had agreed to augment skilled labour by taking on more apprentices, raising the apprentice age limit from 16 to 20, and reducing the training period from 5 to 4 years. The material suppliers, particularly the brickmakers, had guaranteed that they would not raise their prices beyond those applying at the start of 1924, unless forced to by an increase in input costs such as higher wages for their workers. In order to police this, a bill would be introduced to guard against profiteering in the building materials industry. Wheatley said that he himself had compromised, leaving intact much in the 1923 Act that he found objectionable because it was producing a certain number of houses and provided a mechanism to stimulate further building quickly. In return, Parliament's part of the bargain would be to guarantee financial support for the industry for 15 years.

Eustace Percy responded for the Opposition with a root-and-branch attack on the Bill, which was “an empty palace of vanities”. On Wheatley he said: “From

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[49] Letter from Wheatley to Colonel Wedgwood MP, TNA HLG/29/130.

the very first day when the right hon. Gentleman took office every step in his negotiations has been misconceived". The Conservatives did not necessarily object to the cost of the scheme, but they did think that it represented an "impractical financial proposition". Percy suggested an alternative policy of assisting the speculative builder rather than the local authority and the owner-occupier rather than the tenant, and concentrating public funds on the replacement of unfit housing rather than the addition of new housing to the nation's stock.[50] For the Liberals Mr Masterman was not against the Bill per se, but objected to the fact that the houses to be built under its provisions would be the same inadequate size as those under the 1923 Act, and that the Bill discriminated against owner-occupiers.[51] Wheatley's junior Minister, Arthur Greenwood, ably wound up the debate and the second reading was carried by 296 votes to 206. However, as an example of one of the minor irritations of the Government's minority position, the Liberals forced and won a vote to hold the Committee stage on the floor of the House, rather than in the comparative peace of a Standing Committee away from the Chamber.

The scheme was comprehensive and had gained the broad support of the interested parties outside Parliament. Despite the Conservatives' strong early attack on the Bill their opposition was hampered by its similarity to Chamberlain's 1923 Housing Act, and given the support of a majority of Liberal MPs the Bill's passage through Parliament was reasonably uneventful. During detailed consideration of the Bill Wheatley showed a good appreciation of when to give way to his opponents and when to hold firm. For example, he resisted Liberal attempts to increase the maximum permitted size of the houses, which were eventually ruled out of order by the Speaker as requiring a new money resolution. He accepted, however, proposals to relax the definition of an "agricultural parish" for the purposes of receiving the higher subsidy.[52] Wheatley disagreed to certain amendments which he probably would have supported had

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[50] HC Debates 23 June 1924, vol 175 col 108.
[51] HC Debates 23 June 1924, vol 175 col 127.
[52] HC Debates 16 July 1924, vol 176 col 493.

he been in opposition: for example, one by the Liberal MP ED Simon which would have permitted local authorities to charge different rents for the same type of houses according to the number of children in the family (the rents would decrease as the number of children increased). Wheatley said that he had a great deal of sympathy with the proposal, but that the local authorities would not operate it.[53] One of the few Conservative amendments accepted by Wheatley provided that if the cost of constructing houses fell, the Government subsidy for new houses could be reduced.[54] A Lords amendment to increase the frequency of reviews from once every three years to once every two years was also accepted.

The importance the Government had come to attach to the measure was shown by the fact that the Commons' final business before rising for the Summer Recess was to take the Bill through its final stages and receive Royal Assent on 7 August.

Although the Housing Act was the centrepiece of the Government's legislative programme, it was only one part of their policy for the provision of houses. Wheatley attached equal importance to supply-side measures, such as the agreement with the unions that they would take on more apprentices. Following the report of the Committee on the supply of building materials the Government also drew up a Building Materials (Charges and Supply) Bill, which would have given the President of the Board of Trade the power to investigate and control the price of building materials and the conditions under which they were made available; and sanctions against any suppliers found guilty of profiteering.[55] Wheatley considered that these measures were necessary to ensure that the industry had sufficient capacity and that higher demand did not simply lead to higher wages and higher prices, and therefore more expensive houses. It is

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[53] HC Debates 17 July 1924, vol 176 col 678.
[54] HC Debates 24 July 1924, vol 176 col 1561.
[55] Memorandum by the Unemployment Committee on Provisions for restricting unreasonable profits in building materials (Cabinet paper 317(24)); and Draft Building Materials (Charges and Supply) Bill

likely that this Bill, which proposed to impose controls on business, would have encountered much stronger opposition than the Housing Act, but the Government fell before the Bill obtained its second reading in the House of Commons.

Assessment of the house-building programme

The house-building programme did not last the fifteen years envisaged by Wheatley, as in 1927 the Conservative Government reduced the subsidies available for new building and the Housing (Financial Provisions) Act 1933 ended the subsidy for all houses not approved by the end of 1932. However, in the nine years of the scheme's operation over half a million houses were built under it.

Houses built 1919-1934 (000's of houses)

	Private enterprise	*Local authority*	*Total*
Addison subsidy	170.1	43.7	213.8
Chamberlain subsidy	362.7	75.3	438.0
Wheatley subsidy	15.8	504.5	520.3
Unsubsidised	1085.8	--	1085.8
TOTAL	1634.4	623.5	2257.9

Source: MA Crowther, Social Policy in Britain 1914-1939 (London: Macmillan, 1988), p 57.

As the table shows, the Wheatley scheme accounted for nearly a quarter of all houses built between 1919 and 1934, more than either the Addison or Chamberlain schemes. The houses were also qualitatively better than existing working-class housing, and built at lower densities.

(Cabinet paper 318(24)).

Despite the failure of the Government to pass the Building Materials Bill which was supposed to accompany its Housing Act, the cost of erecting houses did not increase markedly, rising from an average £350 in 1923 to £442 in 1926 and declining thereafter to £320 in the final years of the scheme. The overall cost of the subsidies to the Treasury was contained at reasonable levels, reaching a maximum annual cost of £4.3 million in 1934. The cost to rate payers reached a high of £1.9 million. The programme was also successful in increasing the number of people employed in the building trades from 703,000 in 1923 to 834,000 in 1927.[56]

For these reasons the Wheatley scheme is generally regarded as the most successful of the inter-war housing schemes.[57] However, it should be noted that the scheme was only a qualified success. In all but a couple of years it fell short of its target of producing 150,000 houses per year, and analysis by Bowley suggests that the houses tended to be occupied not by those most in need - the homeless or those living in substandard housing - but by more wealthy members of the working-class who could afford the rents and were more desirable tenants for the local authorities. Those further down the property ladder tended to benefit only indirectly, by moving into the houses vacated by the wealthier working-class tenants. Another problem was the lack of central direction on where in the country houses should be built, which meant that the level of building in an area did not necessarily reflect local needs.[58]

Wheatley freely admitted that his housing policy was not socialist: he characterised it as "an attempt to patch up, in the interests of humanity, a capitalist ordered society."[59] His approach to the subsidy question was highly pragmatic. As I have shown he worked closely with the industry and the local

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[56] ED Simon, *The Anti-Slum Campaign* (London: Longmans, 1933), p 168; and Bowley, *Housing and the State*, p 47.
[57] See, for example, Pat Thane, "Labour and Welfare" in Tanner, Thane and Tiratsoo, *Labour's First Century*, p 90; Lyman, *First Labour Government*, pp 121-2; and John Burnett, *A Social History of Housing 1815-1985* (London: 2nd edition, Methuen, 1986), p 233.
[58] Bowley, *Housing and the State*, pp 52 and 70.

authorities in the development of his proposals, based them to a great extent on the work of his officials, and built on existing legislative structures rather than destroying them and starting again - even to the extent of retaining the Chamberlain subsidy for private builders. This made it difficult for Wheatley's opponents to portray him as the dangerous radical they thought they knew him to be, and by squaring the industry and the local authorities before the Bill was introduced into the Commons he ensured that it had an easier passage than would otherwise have been expected. Wheatley had also arranged meetings between MPs and industry representatives to head off potential trouble, which was especially important given the weakness of the Government's Parliamentary position.

Wheatley had also to a certain extent managed to balance the expectations of the left wing of his own party, in particular the Clydeside group of MPs to which he belonged, and the desire of the Party's leadership for moderation. Snowden's objections to the scheme were muted because most of the expenditure would fall in the future, and the Cabinet was to a large degree simply bypassed. After the report of the Cabinet Sub-Committee was received in early February the housing scheme was not referred back to the Cabinet.

A crucial element of the scheme was the length of time that Wheatley was prepared to commit the Government to a subsidy. This was a clear departure from the 1919 and 1923 housing acts and the rent restriction legislation, which were designed as temporary 'emergency' measures to tide the country over what were thought to be abnormal circumstances brought about by the war. The 1924 Act was a key element in placing the State's intervention in housing on a more permanent and coherent footing.

As I have explained, the subsidy built on previous measures, particularly the Chamberlain scheme, but the supply-side policies - particularly the proposals to

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[59] HC Debates 3 June 1924, vol 174 col 1102.

combat profiteering - were far more innovatory for a peace-time Government. If they had been put into effect they would have represented a considerable departure from the prevailing antipathy to state controls over private enterprise.

The Government was successful in devising a workable housing policy. In contrast, Labour's attempt to reform landlord-tenant relations highlighted the inexperience of the Government and revealed serious weaknesses in policy formation.

6. Landlord-tenant policy

The Rent and Mortgage Interest Restriction Act 1923, which provided for the decontrol of rents once houses fell vacant, encouraged some landlords to seek to evict sitting tenants. It was, therefore, a priority of many Labour MPs to introduce legislation which offered greater protection to tenants in "controlled" housing. On 22 February 1924 the Commons debated a Bill introduced by Benjamin Gardner, a back-bench Labour MP, to extend rent control until 1928 and, more radically, to make the only permissible ground for a court to grant an eviction order that the landlord required the dwelling for himself. Even when this condition was met, the landlord would have to find alternative accommodation for the tenant. Gardner declared it "a tenants' Bill, just as openly as the last Bill [the Rent and Mortgage Interest Restriction Act 1923] ... was a landlords' Bill."[60] Conservative and Liberal MPs attacked both the provisions of the Bill and the Government's cowardice in hiding behind a private members' bill and not introducing Government legislation on the subject. The Bill obtained its second reading by 248 votes to 101, but was then effectively blocked by its opponents in Standing Committee.

The Government was therefore compelled to introduce its own Rent and Mortgage Interest Restriction Bill, to amend the 1920 and 1923 Acts (see page

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[60] HC Debates 22 February 1924, vol 169 col 2171.

55) insofar as they related to evictions. Clause 1 authorised a court to refuse an eviction order in cases where rent arrears were due to unemployment, subject to the qualification that the court could grant the order if it was satisfied that the landlord would suffer "greater hardship" if the order were refused than would the tenant if the order were granted. In introducing the Bill on 2 April, Wheatley explained that this would mainly benefit Scottish tenants as - unlike Scottish Parish Councils - English Boards of Guardians already commonly took rent into account when calculating poor law benefits. Clause 2 provided that, in cases where a landlord required accommodation for himself or his children, alternative accommodation had to be provided for the tenant, again subject to the "greater hardship" qualification.[61] This was significantly weaker than Gardner's proposal, a point not lost on left-wing Labour MPs.

Conservative and Liberal critics of the Bill concentrated their fire on clause 1, which Neville Chamberlain attacked for placing the burden of supporting the unemployed not on the community but on the landlords of the unemployed. Chamberlain argued that it would have been more sensible for the Government to have dealt with this Scottish problem by compelling Scottish parish councils to take rent into consideration when determining benefits. He concluded by asking whether the Government had realised that, if the clause came into force, English Boards might cease to take rent into account:

> This is a point which I should have thought, if the right hon. Gentleman had consulted his staff, he would have seen required careful consideration.[62]

Chamberlain had concisely demolished the main plank of the Bill and at the end of the debate, after other speakers had further kicked over the wreckage, Clynes rose to say that while the Government would not alter its policy of helping to keep unemployed tenants in their houses, they were willing to replace clause 1 with "a clause which would throw upon public funds the cost of

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[61] HC Debates 2 April 1924, vol 171 cols 2197-2202.

maintaining the distressed tenant in his home."[63] There was uproar, and the Government was only saved from further embarrassment when the debate was halted by a ruling by the Speaker that such a clause would require a Money Resolution to be brought before the House, and might even have to be contained in an entirely new bill.

MacDonald asked Maurice Hankey, the Cabinet Secretary, to set out the course of events that had led to the debacle in the Commons. Hankey's memorandum, dated 3 April, stated that, though the Bill was discussed by a thinly attended meeting of the Home Affairs Committee (which prioritised and scrutinised proposed Government legislation), the Cabinet had not actually discussed the Bill before its introduction. Hankey nonetheless concluded that proper procedure had been followed and that "the Minister of Health is almost completely covered."[64] This intriguing statement implies that MacDonald had asked Hankey to determine whether any blame could be attached to Wheatley. Hankey concluded that in future there should be proper notice of subjects to be raised at Cabinet, that the Cabinet should insist on regular attendance of Ministers at the Home Affairs Committee, and that the recommendations of the Home Affairs Committee should not be acted on until approved by the Cabinet.

On Friday 4 April JR Clynes, the Deputy Leader of the House, attempted to restore the situation by making a statement to the House in which he said that the Government would take steps to ensure that poor law authorities in Scotland took rent into account when granting relief. Clause 1 of the Bill would be amended to direct courts not to grant an eviction order until the tenant had had an opportunity to apply to the poor law for relief.

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[62] HC Debates 2 April 1924, vol 171 col 2209.
[63] HC Debates 2 April 1924, vol 171 col 2257.
[64] Memorandum from Hankey to MacDonald dated 3 April 1924, in TNA 30/69/56.

In response to a question by Chamberlain, Clynes said that any additional cost would remain with the local authorities, but Clynes again changed tack after an impassioned attack by the Clydeside MP David Kirkwood, who thundered:

> I am not going to be a party, even supposing it destroys all the Labour Governments that ever were in office, to seeing the children of the unemployed starve in order that the landlords rent may be paid.[65]

Clynes blustered that the Government would, of course, be willing to consider helping the local authorities to recoup any additional costs from national funds, but was unable to tell the House whether this meant that English Boards would in future be reimbursed for what they already did.

Over the weekend senior civil servants including Sir Aubrey Symonds from the Ministry of Health lobbied Ministers that local authorities should not be reimbursed for any additional expenditure. While it was true that any additional costs were likely to be small, they thought it most undesirable for the Government to assume responsibility for paying any rents, and argued that the Government's recent uprating of unemployment benefits would permit the poor law authorities to reduce their spending by more than any new burden caused by taking on rent payments in certain cases.[66] At a meeting on Sunday night MacDonald, Wheatley, Clynes, Snowden, Adamson and Thomas agreed with the civil servants that any additional costs should not be charged to national funds. An embarrassed Clynes said that during Friday's debate he had meant to indicate that if, at some point in the future, the poor law authorities made representations to the Government, the Government would be willing to listen to them.[67]

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[65] HC Debates 4 April 1924, vol 171 col 2719.
[66] Departmental memorandum prepared by representatives of the Treasury, Ministry of Health, and Scottish Office, Saturday 5 April 1924, in TNA 30/69/56.
[67] Notes of a meeting held on Sunday 6 April 1924, in TNA CAB 23/47.

This preliminary decision was confirmed at the Cabinet meeting the next day, at which it was also agreed that Hankey should, with the assistance of the Law Officers and Parliamentary draftsmen, draw up procedures along the lines of those suggested in Hankey's memorandum in order to avoid a repeat performance.

Ramsay MacDonald was compelled to lead the resumed second reading debate on 7 April, but fared no better than Clynes had done. He said:

> I am not at all ashamed to say that the Bill produced under the conditions it was produced, as a piece of emergency legislation, pressed on us as something that ought to be done in days and not in weeks, at a time when our hands were uncomfortably filled for 24 hours in the day, was put through for the purpose of giving this House a chance of bending its energies to the production of a Measure, on the basis of this Bill, that would honestly meet the difficulties with which we were faced.[68]

Baldwin was uncharacteristically scathing about the way in which the Bill had been introduced, and at the lack of liaison between members of the Government, and between the Government and its officials. The proposed amendment was "meaningless, impracticable and worthless."[69] At the end of the debate the Bill was put out if its misery by 221 votes to 212.

After this defeat the Government adopted a moderate Bill which had already been introduced by the Liberal MP ED Simon. The Bill, which became law as the Rent Restrictions Act 1924, modified the 1923 Act to make it more difficult in certain circumstances for landlords to obtain possession of their houses. This was the only legislation relating to landlord-tenant relations passed during the Government's term of office, though shortly before the Government fell Wheatley proposed to the Cabinet that rent control should be extended until 1939 (ie. until the house-building programme was complete) with triennial

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[68] Notes of a meeting held on Sunday 6 April 1924, in TNA CAB 23/47.
[69] HC Debates 7 April 1924, vol 172 col 110. In private, this assessment was matched by MacDonald, who scribbled "means nothing" against the explanation of the proposed replacement clause in his personal copy of Clynes' memorandum on the subject, TNA 30/69/56.

reviews to take account of changing circumstances. No decision was taken on the proposal before the Government fell.[70]

The Government had, as MacDonald had admitted on 7 April, introduced an unworkable Bill, which had been torn to pieces so comprehensively at its first outing in the Commons that no Minister had even attempted to defend it. As hinted in Hankey's memorandum, the affair suggests a lack of communication between Ministers, and between Ministers and their civil servants. The evidence also shows that it was to Hankey, a civil servant, that MacDonald turned for guidance on how to improve communications and to avoid a repeat performance. The affair therefore seems to have brought home to the Government the importance of obtaining guidance from their civil servants and law officers before bringing measures before Parliament. Nothing comparable happened again to the Government on the legislative front, but similar chaos did mark the controversy over the Campbell case (page 225), implying that any lessons were, at best, only partially learnt.

Wheatley's lack of involvement with the short-lived Rent and Mortgage Interest Restriction Bill is surprising, as his Department was responsible for the measure. In his memoirs Emanuel Shinwell, then a junior Minister and like Wheatley on the left of the party, explained that Wheatley's energies were concentrated on the house-building scheme, that the Bill was only introduced at MacDonald's insistence, and that Wheatley did not have time to examine it carefully before it was introduced to the Commons.[71] Whether or not this account is entirely accurate, it does seem true that Wheatley was not greatly involved in the preparation of the Government Bill and that it was in part a knee-jerk response to pressure from the Government's own back-benchers. This highlights the difficulty the Government faced in balancing the demands from

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[70] Cabinet paper 468(24).

[71] Shinwell, *I've Lived Through It All*, p 72. The evidence does not support Shinwell's assertion that Wheatley was not consulted about the Government's hurried decision on 4 April to abandon clause 1 of

within its own party with its weak Parliamentary position, its inexperience, and the leadership's desire to act moderately.

7. Conclusions

John Wheatley proved himself to be an energetic and innovative Minister of Health, who was not handicapped by his lack of administrative experience. Despite its weak Parliamentary position the Government was able to devise and implement a successful house-building scheme. However the inexperience of Ministers, and lack of consultation with senior officials, contributed to the serious mishandling of the rent bill. The house-building scheme showed the advantages of the Government having entered office with few positive policy commitments, allowing policy to be developed "on the hoof", but the confusion surrounding the rent bill clearly highlighted the disadvantage of such an approach.

The house-building programme did not help Labour to retain office in the 1924 election, but it did provide a solid legislative memorial for the Government, which greatly assisted its claim to be a credible party of government. The housing programme was one of only two domestic policies of the 1924 Government (the other was works programmes) to be cited by Labour in its 1929 manifesto as a successful Labour policy.[72]

Relations between MacDonald and Wheatley were never good, though Wheatley was careful to keep the Prime Minister informed about the progress of the house-building programme and even on occasion enlisted his support for crucial meetings.[73] In contrast, MacDonald was often lukewarm in support of his

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the Bill (see, for example, various papers in TNA CAB 23/47 relating to the meeting of Ministers held on Sunday 6 April).

[72] Labour's Appeal to the Nation, 1929.

[73] Letters from Wheatley to MacDonald dated 7 March and 3 May 1924, in TNA 30/69/13 and TNA 30/69/211.

Minister of Health.[74] Disillusioned by his experiences in Government, in opposition Wheatley became increasingly critical of the timidity of MacDonald and the rest of the Labour leadership, and by the time of his death in 1930 was a marginal figure in the Parliamentary party.

The early fears that the socialist Wheatley would clash violently with his civil servants were unfounded. There is a little evidence that Wheatley was on occasion undermined. Thomas Jones, deputy to the Cabinet Secretary, wrote in his diary that the terms of the housing subsidy were watered down at the insistence of Ministry of Health officials, who used Arthur Greenwood as an intermediary.[75] However, other evidence such as the Cabinet minutes suggest that the adjustments were made at Snowden's insistence, not Greenwood who did not attend Cabinet meetings. Jones' diaries, while full of welcome colour, are not always factually reliable guides to proceedings, and this suggestion can be discounted.[76] More revealing is the line taken by the group of senior civil servants from different departments at the height of the Government's confusion over the rent restrictions Bill. Their successful insistence that the Government should not make a commitment to contribute to the rents of unemployed tenants indicates that in certain limited circumstances senior civil servants could have a very significant effect on the development of the Government's policy. In general, however, the Government's initiatives at the Ministry of Health do not seem to have been blocked by civil service opposition, and Wheatley certainly had no complaints about the loyalty and effectiveness of his Department. There is some evidence that Wheatley was popular within the Ministry.[77]

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[74] For example, the "Poplar" debate in the Commons, when MacDonald said of Wheatley's decision to rescind the Mond Order: "That may have been wise or unwise, but that was what was done." (HC Debates 26 February 1924, Vol 170 col 393).

[75] Keith Middlemas (ed), *Thomas Jones - Whitehall Diary* (Oxford: 3 volumes, Oxford University Press, 1969), pp 269-70.

[76] Cabinet conclusions 11(24), Friday 8 February 1924.

[77] Conversation between Viscount Astor and unspecified Ministry of Health civil servants, reported in Middlemas (ed), *Thomas Jones - Whitehall Diary*, 20 March 1924, p 273.

For the Ministers' part, their experience of office, and problems such as those resulting from the rent restrictions bills, showed them the importance of making fuller and better use of their civil servants in order to develop, scrutinise and co-ordinate their policies. In fact, events such as the rent bill debacle were more likely to find the Government in broad agreement with their civil servants but out of step with many of their own back-benchers. 1924 therefore seems to mark a significant widening of the gap between the moderates such as MacDonald who wished to proceed cautiously and the more full-blooded socialists who were less willing to compromise in pursuit of their goals. This theme is explored further in chapter 8. Further evidence in this regard can be found in the Government's conduct of economic and unemployment policy, which are the subject of the next two chapters.

Chapter 3 – Economic policy

1. Economic policies 1918 to 1924

It would be impossible to assess Labour's economic performance in 1924 without placing the administration in its context; at the tail end of post-war turbulence. Why, for instance, did the Labour Government not raise taxes to pay for social programmes in education, housing and health? In large part the explanations lie in the context in which the party was operating. This section therefore briefly sets the scene for each aspect of Labour's 1924 economic policy analysed in sections 5, 6 and 7.

In section 2 the philosophical underpinning of Labour's economic policy in 1924, or lack thereof, is examined. In section 3 the Treasury and other relevant civil service bodies are introduced. In section 4 I examine the interactions between Labour party leaders, the Treasury and leading bankers around the time the Government took office. In the final section I set out my conclusions: that in 1924 Labour pursued a deeply orthodox economic policy and did not even conduct any serious research or analysis into the policies such as nationalisation to which it was supposed to be committed; and that the peculiar circumstances obtaining in 1924 helped to obscure these facts.

Government spending, taxation and the national debt

In the course of the first world war the British government became increasingly involved in economic activity and planning. The spheres of activity ranged from those directly related to the war effort, such as the construction by the Ministry of Munitions of armaments factories, to some of the core areas of the economy, such as the virtual monopoly over food supplies established by the Ministry of Food, and the temporary nationalisation of the mines. Towards the end of the war the Coalition Government also drew up expensive development programmes in fields such as housing and education. In 1913-14 government spending had totalled £189.9 million. In 1918-19, the financial year covering the

end of the war and the first few months of peace, spending rose to a dizzying £2368.1 million. Once the war ended this government spending was accompanied by a consumer boom, rising prices, speculative investment in the staple industries and large wage increases.

While it was spending massively the Coalition was dismantling the regulations it had imposed on the economy during the war, with the result that it could not control the allocation of resources in the economy nor the prices obtaining for those resources, leading to fierce competition for commodities such as building materials. Inflation hit 50% in 1919. The boom was soon followed by a bust. Government spending, already falling as the war machine was dismantled, was further cut back by the scaling down of the ambitious social development programmes. By 1921-22 government spending had been slashed back to £1007.5 million. The Bank of England added to the deflationary pressure by raising Bank Rate to 7%. The economy tipped into recession; unemployment, which had remained well below 1 million throughout the war, peaked at 2.4 million in May 1921.[1]

One of the key reasons behind the Coalition Government's decision to cut spending was the size of the national debt, which had grown from £0.6 billion at the outbreak of war to over £7.7 billion at the end of it. Interest payments on the internal debt rose from £16.7 million in 1913-14 to £308.7 million in 1920-21.[2] From the end of the war it was a central policy objective of the Treasury and of successive governments to reduce the debt and the burden of debt service charges. Just as significantly, it was thought to be important that the government should be seen to be capable of paying off in full the debts it had incurred during the war, both to encourage faith in the broader economy and to keep down the cost of any future government borrowing.

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[1] For further information on the economy and finance during and after the first world war see, for example, DH Aldcroft, *The British Economy vol 1: The Years of Turmoil 1920-1951* (Brighton: Wheatsheaf, 1986); Robert Boyce, *British Capitalism at the Crossroads, 1919-1932: A study in politics, economics and international relations* (Cambridge: Cambridge University Press, 1987); Kathleen Burk (ed), *War and State: The Transformation of British Government 1914-1919* (London: George Allen and Unwin, 1982); and Jim Tomlinson, *Public Policy and the Economy since 1900* (Oxford: Clarendon, 1990).
[2] Aldcroft, *British Economy: Volume I*, p 24; and Martin Daunton, *Just Taxes: the politics of taxation in Britain, 1914-1979* (Cambridge: Cambridge University Press, 2002), pp 882-919.

As we have seen the Coalition Government – like the Conservative governments that followed it – reduced the budget deficit by cutting government spending, rather than raising taxation which was already considered to be at abnormally high levels. The budget was in surplus as early as late 1919, and remained so until 1924. The post-war governments tended to cut indirect taxes more than direct taxes, and so in the years after the war as a proportion of the total direct taxation increased, and indirect taxation decreased.

The gold standard

The policy of deflation had another objective: to restore the pound to its pre-war exchange rate with the dollar, and hence gold. The gold standard had been a central feature of the British political landscape since 1821. At the start of the twentieth century its effectiveness in encouraging international trade by guaranteeing price stability and squeezing out inflationary pressures was rarely questioned.

In August 1918 the Cunliffe Committee on Foreign Exchanges recommended that Britain should return to gold at the pre-war parity of $4.86 as soon as possible. When the Cunliffe Committee made its report the pound was artificially pegged to a rate of $4.76, but in the aftermath of the war the pound was allowed to float freely. The pound promptly fell to $3.20, leaving no doubt about the extent of the necessary adjustment. Thereafter the deflationary policies pursued by the Coalition and Conservative governments began to bite, and the pound recovered to $4.72 in February 1923, though no decision about the timing of the return to gold had been made by the time Labour entered office in 1924.

It is worth considering why the idea of returning to the gold standard featured so prominently in the thoughts of Britain's policymakers in the early 1920s. The gold standard was considered to have served Britain well before the war. More broadly, as has been mentioned in the analysis of the general political context in chapter 1, most politicians and civil servants were determined to return to pre-war 'normality', which could only be achieved by restoring the foundation stone

of the pre-war economic system. According to this outlook the British economy could be returned to health by increasing its international trade to pre-war levels.

There were a few contemporary critics of the gold standard policy. In its evidence to the Cunliffe Committee the Federation of British Industries (FBI) supported an eventual return to the gold standard, but opposed any deflationary measures to achieve it. Instead, the FBI suggested that a strong trade balance should lead to a rise in the international value of the pound, but they had few ideas as to how the strong trade balance could be engineered. The right-wing periodical the *Spectator* actually opposed returning to the gold standard, on the grounds that Britain was no longer the strongest trading economy and that the new international system would be run to benefit the United States, not Britain.[3] Keynes initially supported the return to gold, but in the course of the 1920s became progressively more disillusioned, at times advocating a more interventionist role for the Treasury and the Bank of England in the economy, in which the exchange rate was managed as far as possible, and investment was channelled into domestic rather than overseas projects. (It should be noted that Keynes had not by 1924 developed the "Keynesian" policy of managing aggregate demand in order to boost economic growth: this is further considered on page 134.)

Since the second world war the gold standard policy has been much criticised by economists and historians, many of them following a Keynesian analysis.[4] They have argued that deflation meant that the pounds borrowed by the government during the war actually increased in value, making it harder to pay off the national debt, and the high interest rates required to keep the pound strong also made it more expensive to service the debt and harder to convert it to lower and more stable rates of interest. However, what is important for this chapter is to emphasise the obsessive way in which most contemporary policymakers hankered after a return to gold.[5] The Labour Government's policy on this issue, discussed in section 6, must be considered in this context.

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[3] Boyce, *British Capitalism*, pp 31 and 63.
[4] Including Skidelsky, *Politicians and the Slump*; Marquand, *Ramsay MacDonald.*
[5] Boyce, *British Capitalism*, p 6.

Free trade and protection

The Conservative party's periodic flirtations with protection, which as we saw in chapter 1 dominated the 1923 election, did not sit comfortably with the free international trade principles of the gold standard. The thinking behind the tariff policy suggested that future British economic development could not be driven by international trade to the extent that it had been in the past.

The Coalition Government introduced some piecemeal tariffs through the McKenna duties (on certain bulky imports such as motor cars), chiefly to save valuable war-time shipping space; and via the Safeguarding of Industries Act 1921, which permitted the imposition of a tariff if it could be shown that an industry was suffering as a result of the dumping of foreign goods. In the early 1920s these measures were periodically extended, each time by a year or two, but at the start of 1924 Britain remained largely a free trade country.

An important variant of the tariff policy was Imperial preference, under which trade between the countries of the Empire would be subject to no tariff or a lower tariff than that which applied to other countries. According to the economic imperialists, the Empire would provide the motherland with imports of raw materials, which Britain would process and sell back to those countries in the form of finished goods. Unfortunately, in common with the rest of the world the white former colonies showed a distressing desire to industrialise themselves. In 1923 an Imperial Economic Conference did approve a set of proposals, very limited in scope, for reducing tariffs between members of the Empire. When Labour took office in early 1924 Parliament had yet to ratify these proposals.

As I have noted, the strongest supporters of the gold standard were also usually free traders. Protection offended against classical market theory, in which goods bought and sold in conditions of 'perfect' competition would naturally bring about the best allocation of resources and create sufficient work for all who wanted it. The correct policy was therefore for governments to interfere as little as possible in both domestic and international markets, and for the self-correcting

mechanism of the market to ensure the optimum allocation of resources. This chimed perfectly with the supposedly self-correcting mechanism of the gold standard. On this argument protection would bring about international retaliation against British exports, and also create vested interests which, in the absence of proper competition from imported goods, would enjoy excess profits. These vested interests would manipulate politicians into retaining the tariff long after any initial justification for them (such as a period of turbulence in world markets) had passed. This reasoning is worth setting out here because it sets the philosophical backdrop for some of the practical arguments raised during Labour's term in office in 1924 (section 7).

Other criticisms of 'orthodoxy'

Robert Boyce and Michael Collins have argued that there was a gulf between the interests of the industrial and trading-financial communities, and that the trading-financial sector was dominant throughout the 1920s, ensuring that government policy favoured it at the expense of industry. Industry needed long-term loans in order to invest in, for example, new capital which would not produce a return for many months or even years, or to provide finance for the merging of several firms into a larger unit. The banks, however, did not consider that they should tie up the money of their customers for such long periods of time.[6]

A common variant of this argument is that orthodox economic policies – low government spending, free trade and the gold standard – certainly assisted the financial community, but were also intended to assist a particular section of British industry: the traditional staple industries such as iron and steel, coal, textiles and shipbuilding. These industries needed to import raw materials and relied on exports for much of their sales, and policies designed to facilitate international trade therefore assisted these industries. Unfortunately, it has been argued by Sean Glynn and Alan Booth, the same policies retarded the growth of another group of industries: newer industries such as car manufacturing,

electrical engineering and chemicals, which depended more on strong domestic demand for their growth.[7]

The difficulties faced by the staple industries meant that high levels of unemployment were associated with them throughout the inter-war period. Unemployment is examined in the following chapter. Here, it is sufficient to note that the economically orthodox policy response to unemployment was to follow the same policies as those intended to boost the economy generally. Hence minimum interference in markets, the gold standard and free trade all came together to form a pure doctrine which its proponents thought to be above mere political debate, and to be as much a fact of life as any other law of science.

However, it is impossible to overlook the paradox that at the heart of the economic orthodoxy of the 1920s, at the centre of the scientific operation of the gold standard and the market mechanism, was something intangible and out of the control of British policymakers. If British prosperity depended on the restoration of international trade, then British prosperity in turn depended on the improvement of relations between nations. What rational policies could be certain to bring that about? On this line of reasoning the key British economic policy was, in truth, its foreign policy. I examine the foreign policy of the first Labour Government in chapters 6 and 7. In this chapter, while always keeping in mind the importance of foreign policy, I will concentrate on those policies usually regarded as relating to the economy. The essential points in this regard are that the first Labour Government came to power at a time when the established principles of successive governments had been to reduce government spending and taxation from their war-time levels, to reduce the national debt and to return the pound to the gold standard at the pre-war level of $4.86 to the pound. As I have so far concentrated on these mainstream orthodox policies, in the next section I will examine the economic ideas of the Labour movement.

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[6] Boyce, *British Capitalism*; Michael Collins, *Banks and Industrial Finance in Britain 1800-1939* (Cambridge: Cambridge University Press, 1991), pp 63-4.

2. Labour and the economy

Clause 4

A historian looks in vain for a Labour economic 'policy' before 1924. There was rather a jumble of ideas, sometimes complementary, sometimes conflicting. The best starting point for sorting through the jumble is the key socialist idea that the means of production should be in public not private hands. This first became an official aim of the Labour party with the adoption of the 1918 Constitution, Clause 4 of which famously stated the aim:

> To secure for the producers by hand or by brain the full fruits of their industry, and the most equitable distribution thereof that may be possible, upon the basis of the common ownership of the means of production and the best obtainable system of popular administration and control of each industry and service.

At the same time the party adopted the policy document *Labour and the New Social Order*, which promised full employment at good wages (or, failing that, a comprehensive system of benefits); nationalisation of land, railways, canals, coal, electricity and life assurance; taxation based on the ability to pay; and social reforms in housing, education and healthcare.[8]

Although the Labour leaders were by no means uncritical supporters of the war effort, the successful prosecution of the war by the interventionist Coalition Government had powerfully illustrated the potential of the state to change and manage all aspects of society, as had that government's subsequent apparent willingness to tackle domestic problems such as housing and education with equal vigour. *Labour and the New Social Order* was not therefore simply a logical development of Labour policy up to 1918. It was very much a product of the prevailing national atmosphere that the war-time mobilisation of the nation could be carried over into the peace. When the post-war recession caused that high tide to recede, and the Geddes axe fell on public spending (taking with it

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[7] Aldcroft, *British Economy: Volume I*, p 36; Alan Booth and Sean Glynn, "An administrative experiment in unemployment policy in the 1930s", *Public Administration*, LXI (1978).
[8] *Labour and the New Social Order* (1918).

the credibility of interventionist policies in areas such as housing), there was little of the party's own independent economic analysis to fall back on.

The debates within the Labour party about the 1918 Constitution and *Labour and the New Social Order* actually centred on organisational, not policy, questions. The burning issues were about party membership and relations between the unions and the party, not the way in which the policy embodied in Clause 4 might be implemented.[9] *Labour and the New Social Order* was chiefly the work of Sidney Webb, whose lofty Fabian world view led him to think that society could be altered 'from the top down' by the application of scientific policies by a highly skilled elite. Other senior labour figures such as Harold Laski, RH Tawney and GDH Cole took a more pluralistic view, and suggested that agencies other than the state should contribute to socialist planning.[10] In particular, the guild socialism with which Cole was closely associated before the war proposed that workers should be directly involved in the management of their own industries. The Labour party certainly did not have a 'nationalisation blueprint', ready to be rolled out in the event of electoral success. Despite the large amount of propaganda issued by the party throughout the 1920s concrete policy proposals - particularly on the economy - were thin on the ground.

Gradualism

Beyond the question of exactly was meant by 'public' control of the means of production, there was the question of how the necessary changes should be brought about. MacDonald and the other Labour leaders believed that Marx had been wrong in anticipating the imminent collapse of capitalism, as society had become more complex than Marx's simple model allowed. Socialism would not be built on the ruins of capitalism; it could and should grow out of its success in providing material benefits to people. Labour's philosophical acceptance of the ability of capitalism to generate economic growth had fundamental implications for the party's day-to-day economic and financial policies once in office.

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[9] McKibbin, *Evolution of the Labour Party*, p 97.

The belief in the vitality of capitalism meant that the Labour leadership envisaged that their reforms would be implemented gradually. As Philip Snowden later wrote: "every step forward must carry with it the approval of public opinion, and ... every change must be consolidated before the next step is taken."[11] There was even a very strong spiritual aspect to the speeches and writings of many of the party's leading propagandists, which implied an unworldly aspect to the socialist utopia: that it might never actually be possible to create it down on imperfect Earth. To take one brief example, in a 1922 speech MacDonald claimed:

> The Labour movement came from the heart of the people; the Labour movement came glowing with idealism; with spiritual power, making an appeal to them to rise up, to look up; to strike, not in hate, but in love; to reconstruct, not to destroy; to claim those human qualities for the divine destiny of government.[12]

In part this was simply an inheritance of the old radical nonconformist tradition, but it also conveniently obscured the lack of clear policies.

The Labour leaders believed that the gradual changes should be brought about by the growth of the Labour party in Parliament. Many left-wingers were suspicious of Parliament and favoured syndicalism, which involved rejecting the use of the state and direct workers' action, through the unions or socialist societies, to seize control of power in society. In May 1920 British dockers prevented a ship leaving port until material intended to assist the Poles against the Soviets was removed; and the Trades Union Council and the Parliamentary Labour Party jointly warned the Coalition Government against intervening again in Russia. The fact that the government did not so intervene was taken by some as evidence of the potential power of direct action, but such enthusiasm was short-lived. Less than a year later, in April 1921, a coalition of miners, railwaymen and transport workers failed to prevent the return of the coal mines to private hands. 'Black Friday', as the fateful day was known, helped to ensure that Parliament remained the focus of left-wing political activity. Syndicalism was

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[10] Barry Jones and Michael Keating, *Labour and the British State* (Oxford: Clarendon, 1985), pp 42-43.
[11] Snowden, *Autobiography: Volume 2*, pp 541-2.
[12] From Marquand, *Ramsay MacDonald*, p 283.

rarely a strong element in left-wing activity, but it is useful to note that the union movement could and did have its own policies, which were distinct from the Labour Party. One interesting example of direct action was the Co-operative movement, which came into being early in the nineteenth century but only formed a political wing under the pressures exerted on it by the war. Soon after this the movement, comprising retail and other societies which were 'owned' by the customers and staff, entered into an informal political alliance with the Labour party. (The alliance was put onto a formal basis in 1927.) The retail side of the movement in particular assisted Labour party contacts with women, and the movement as a whole indicated what it might be possible to achieve by direct action.

Free trade

Labour's Parliamentary leaders were often fierce in their defence of the existing system of free trade. In part this reflected the leadership's desire for moderation and hence, they believed, electoral success. It also reflected genuinely held beliefs. Many of the senior Labourites had begun their political careers as Liberals, when the most important dividing line in economic policy – in fact, in any policy – was between free trade Liberals and tariff-supporting Conservatives and Unionists. The sections on tariffs in the Labour and Liberal manifestoes of 1923 were almost interchangeable:

> TARIFFS NO REMEDY - Tariffs are not a remedy for Unemployment. They are an impediment to the free interchange of goods and services upon which civilised society rests. They foster a spirit of profiteering, materialism and selfishness, poison the life of nations, lead to corruption in politics, promote trusts and monopolies, and impoverish the people.

> PROTECTION NO CURE FOR UNEMPLOYMENT – ... Trade restrictions cannot cure unemployment. Post-war conditions do not justify such restrictions; they merely render it more disastrous. High prices and scarcity can only lower the standard of living, reduce the purchasing power of the country, and thereby curtail production. An examination of the figures shows that the suggested tariff cannot possibly assist those trades in which unemployment is most rife.

Perhaps surprisingly, the first passage, with its paean to the free interchange of goods and services, is from the Labour manifesto; and the second passage, with its linking of effective demand and production, is from the Liberal manifesto.[13] Labour did make sporadic attempts to reorient the election debate from 'protection vs. free trade' to 'protection vs. the Labour programme', but this was made difficult by the fact that the party did not have many concrete policies, free trade being one of the few economic policies to which it adhered and which was fully worked through in policy terms.

The capital levy

One distinctive policy of the Labour party in the early 1920s was their proposal to levy a one-off tax on all personal wealth over £5000. The levy was intended to repay a large chunk of the national debt and so free up public money for social spending (or to permit cuts in taxation). The capital levy was, therefore, never a particularly 'socialist' policy, and immediately after the war it even gained some support outside the party.[14] A modest version of the levy – a tax on wealth accumulated during the war – even found support from a substantial minority of Coalition Cabinet Ministers. The levy was supported at one time or another by many key Labour figures, including Snowden, Dalton, Pethick-Lawrence and Sidney Arnold.[15] Labour's 1923 manifesto promised that "A Labour Chancellor of the Exchequer, in consultation with Treasury experts, would at once work out a scheme to impose a non-recurring graduated War Debt Redemption Levy on all individual fortunes in excess of £5,000, to be devoted solely to the reduction of the debt".[16]

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[13] Labour's Appeal to the Nation, 1923; and A Call to the Nation – the Liberal Manifesto, 1923.
[14] For more on the capital levy see in particular RC Whiting, "The Labour party, capitalism and the National Debt, 1918-1924" in PJ Waller (ed), *Politics and Change in modern Britain: Essays presented to AF Thompson* (Brighton: Harvester, 1987), pp 140-60; and RC Whiting, *The Labour Party and Taxation* (Cambridge: Cambridge University Press, 2001), pp 23-34; and Martin Daunton, "How to Pay for the War: State, Society and Taxation in Britain, 1917-1924", *English Historical Review* (September 1996), pp 882-919.
[15] For example by Philip Snowden, *Labour and National Finance* (London: Leonard Parsons, 1920) and Hugh Dalton, *The Capital Levy Explained* (London: Labour Publishing, 1923).
[16] Labour's Appeal to the Nation, 1923.

If the levy was not particularly socialist it was, nonetheless, a distinctive Labour policy and it gave the party's opponents ample opportunity to wax lyrical about the confiscation of wealth. *The Times* claimed during the 1923 election campaign that:

> The mere introduction of such a scheme ... would utterly blast the credit of the country. It would at once arrest all business expansion, cause inextricable confusion, lessen production, and multiply unemployment to an inconceivable degree.[17]

The land tax

Another proposal popular within the Labour party was for a tax on land. This idea had been around since at least 1880 and was taken up by the Liberal Party in Lloyd George's 1909 budget, which provided for the valuation of land through a Land Valuation Department as a prelude to the introduction of the tax. The land tax was never actually implemented, but it remained high on the radical wishlist and appeared in Labour's 1923 manifesto.

This quick survey of Labour's pick-and-mix range of economic policy ideas makes it difficult to disagree with Beloff's conclusion that "Labour's preparation for office had not included any serious consideration of the role of finance or indeed of the relationship of possible policies to economic theory of any school."[18]

Key Labour figures in economic policymaking

The British Prime Minister can, of course, play a central role in economic policy. Income tax cuts and the privatisation programme under Margaret Thatcher's governments are obvious examples; more immediately relevant for this thesis is Baldwin's decision in 1923 to fight an election on the tariff. But Ramsay MacDonald's speciality was foreign policy, not economic affairs, and his first instinct was always to seek solutions to economic matters through foreign

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[17] From Lyman, *First Labour Government*, p 37.
[18] Max Beloff, *Wars and Welfare in Britain 1914-1945* (London: Edward Arnold, 1984), p 135.

policy. He did not possess the expertise necessary to challenge, had he so wanted, the didactic certainties of Philip Snowden, his Chancellor of the Exchequer.

Philip Snowden embraced the chains of economic orthodoxy with glee. A prominent Labour propagandist since the 1890s, Snowden had been an MP since 1906, though was out of Parliament from 1918 to 1922. Always a supremely combative politician, Snowden seems to have been at his happiest when attacking not Conservatives or Liberals, but any ne'er do well who suggested an adventurous financial policy. Snowden was unchallenged as Labour's pre-eminent economic expert, and an automatic choice for the Chancellorship. Snowden was instantly popular with his civil servants. His private secretary, PJ Grigg, wrote in his memoirs that "of all the Ministers I have ever known, he was easily the most popular with the Civil Servants who worked for him."[19]

Willie Graham was also an obvious choice as Financial Secretary to the Treasury. At 37 Graham was 23 years Snowden's junior, but he already possessed a wide range of experience, having studied and then lectured in economics and served on a number of worthy committees including a 1919 Royal Commission on income tax. Graham was a dry speaker, with a good head for figures and, in the opinion of the trade unionist Walter Citrine (no friend of Snowden's), was superior to Snowden in matters of financial detail.[20] Both Snowden and Graham returned to office in the second Labour Government: Snowden again as Chancellor and Graham this time in the Cabinet as President of the Board of Trade. Snowden and Graham parted company over the 10% cut in unemployment benefit which split the government, Graham joining the minority of the Cabinet who opposed the cut, but they retained a high regard for each other.[21] There was little hint in 1924 of any disagreements between Snowden and Graham.

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[19] PJ Grigg, *Prejudice and Judgment* (London: Jonathan Cape, 1948), p 136.
[20] Lord Citrine, *Men and Work* (London: Hutchinson, 1964), p 281.

Sidney Webb became President of the Board of Trade. In addition to writing numerous Fabian publications and Labour party manifestoes, in 1909 Webb had been the chief author of the 1909 minority report of the Royal Commission on the poor law, which had proposed counter-cyclical works to counter unemployment, a subject which is explored in the next chapter. Along with Haldane, Webb was also one of only two members of the Government with any record of interest in civil service reform (see chapter 1).

The Ministerial team on economic and related matters was completed by two Ministers whose primary responsibilities lay in the field of unemployment. For completeness' sake I mention them both here, though their policy responsibilities are examined in chapter 4. The Minister of Labour, who had the principal responsibility for unemployment benefits and relief works, was Tom Shaw. He was a trade union official but not considered to be in the front rank. According to Lowe, the biographer of the Ministry, "he was remembered by his officials mainly for the pride he took in the private ministerial lavatory, which inevitably became known as "Uncle Tom's cabin".[22] Finally, the veteran left-winger Fred Jowett, a founder member of the ILP, became commissioner of works, with a seat in the Cabinet.

3. The Treasury and the civil service

What kind of Treasury did the Labour party find when it took office in 1924? The organisation had already managed to recover the control over government spending it had lost during the first world war. In January 1919 the Haldane inquiry into the machinery of government had recommended that the Treasury be put at the heart of the civil service, a recommendation eagerly accepted by a Coalition Government desperate to rein in public expenditure. Three departments within the Treasury were created, on finance, supply (government expenditure), and establishments (civil service pay and organisation). The controller of each of the three departments reported to the Permanent Secretary

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[21] TN Graham, *Willie Graham* (London: Hutchinson, 1948), p 140; and Snowden, *Autobiography: Volume 2*, pp 654-6.

to the Treasury, Sir Warren Fisher. Fisher was also made head of the civil service. In an attempt to make financial matters central to each department's business, the permanent secretary at each department was made its Accounting Officer. At Fisher's prompting staff grades were standardised throughout the service, facilitating transfers of staff between departments and creating a more unified civil service – in the process reinforcing the cult of the 'generalist' civil servant rather than the expert who spent his entire career working in a single policy area.[23]

Two key recommendations made by the Haldane Committee were not implemented: first, that the Treasury should cease to have a purely negative approach towards public spending, seeking always to cut rather than to help departments with the implementation of agreed policies; and secondly that there should be better use of research to inform policy. The Treasury did not significantly alter its attitude towards public expenditure. In the words of a former Board of Trade and Ministry of Labour civil servant, the Treasury "did nothing constructive directly, and the result in my experience was that it never fully understood the nature of constructive activities."[24] This negative attitude towards all forms of public spending helps to explain why research departments were, at the Treasury's command, cut back rather than expanded.[25] Another reason for this may well be that the Treasury did not welcome the prospect of having to oppose policy proposals which were based on a large amount of meticulous research.

In 1924 the three departmental heads under Fisher were Russell Scott, Otto Niemeyer and Sir Richard Hopkins. Niemeyer was the key figure: a respected exponent of economic orthodoxy. PJ Grigg was the private secretary to

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[22] Rodney Lowe, *Adjusting to Democracy: The Role of the Ministry of Labour in British Politics 1916-1939* (Oxford: Clarendon, 1986), p 28.
[23] Burk, "The Treasury: from Impotence to Power", in Burk (ed), *War and the Transformation of British Government*, pp 96-99; and Lowe, "Government", in Constantine, Kirby and Rose (eds), *The First World War in British History*, pp 37-41. See also GC Peden, *The Treasury and British public policy, 1906-1959* (Oxford: Oxford University Press, 2000); and Leith-Ross, *Money Talks*, p 53.
[24] Munro, *Fountains*, p 26.
[25] Peter Clarke, *The Keynesian Revolution in the Making 1924-1936* (Oxford: Clarendon, 1988), p 31.

successive Chancellors of the Exchequer from 1921 to 1930. In 1948 Grigg wrote in his memoirs:

> I distrust utterly those economists who have with great but deplorable ingenuity taught that it is not only possible but praiseworthy for a whole country to live beyond its means ... in short who have sought to make economics into a *vade mecum* for political spivs.[26]

Grigg formed an excellent working relationship with Snowden, who would have agreed wholeheartedly with Grigg's jibe against "political spivs".

It was not for nothing that the economically orthodox outlook was commonly known as 'The Treasury view'. The most famous enunciation of the Treasury view was made by Winston Churchill in 1928 (though Churchill himself was less than 'steadfast' in his adherence to it):

> The orthodox Treasury doctrine ... has steadfastly held that, whatever might be the political or social advantages, very little additional employment and no permanent additional employment can in fact and as a general rule be created by State borrowing and State expenditure.[27]

In his study of the Treasury in the first half of the twentieth century, GC Peden has defined the proper role of a civil servant as "both to ensure that a minister was aware of all the facts and arguments ... and to advise which of the possible courses of action should be followed."[28] It was alleged in the 1920s and 1930s, and has been alleged more recently by historians, that Treasury civil servants went beyond the proper confines of their role in pursuing a distinct "Treasury" agenda. Jim Tomlinson has found that before the second world war "Treasury civil servants were widely believed to have been unconstitutionally avid in their campaign to defeat anti free-trade proposals."[29] John Macnicol has accused the Treasury of privately campaigning against universal pensions, and for a (cheaper) contributory pension system, and of frustrating the wishes of elected politicians.[30] However, Peden has convincingly argued that the Treasury was

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[26] Grigg, *Prejudice and Judgment*, p 7.
[27] HC Debates, vol 228, col 54.
[28] Peden, *Treasury and British Public Policy*, p 17.
[29] Tomlinson, *Public Policy and the Economy*, p 30.
[30] John Macnicol, *The Politics of Retirement in Britain, 1878-1948* (Cambridge: Cambridge University Press, 1998), pp 190 – 97.

only able to pursue policies aimed at the restoration of the gold standard in the early 1920s, despite regular changes of government, because all of the major political parties supported the aim. And any accusations of party-political bias would be wide of the mark. It is true that Treasury officials tended to favour a distinct set of policies, but their allegiance was to those policies, and not to any political party. In matters of international trade they were pro-free trade and opposed to any tariff policy pursued by the Conservatives; in unemployment they opposed any large-scale works programmes proposed by Labour, Liberals or anyone else. In both respects this simply followed the role set for the Treasury by successive governments, of seeking to create the most favourable conditions for international trade, and to find reasons to limit central government expenditure.

The enormous volume of work with which the department had to deal, which the Chancellor of the Exchequer could not possibly supervise personally, also meant that officials had to make significant decisions across the full range of Treasury activity. In 1921 Sir Basil Blackett, then Controller of Finance at the Treasury, admitted to the then Chancellor Sir Austen Chamberlain that, while he always did his best to keep his Ministers informed, he could not "avoid committing Ministers to all intents and purposes in advance on many even of the biggest questions."[31]

It will not be surprising that the ethos of the Board of Trade was also pro-free trade. An anecdote from one civil servant shows that such views were not arrived at through rigorous education and training of staff. On joining the Board before the war the new recruit was shown to his room, given a file and told that the papers were back to front with the most recent at the top and the oldest at the bottom. "That was about all the formal instruction I received when I entered the civil service."[32]

In 1924 the Bank of England was independent of the state, but it should nonetheless be mentioned in the same breath as the Treasury and other

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[31] From Peden, *Treasury and British Public Policy*, p 135.

government departments concerned with the management of the economy. The Bank's Governor, Montagu Norman, maintained close contacts with senior Treasury civil servants and there was a constant dialogue on policy.[33] The Bank had a key role to play in the return to the gold standard as it took the decisions on interest rates which were intended to influence the exchange rate.

4. Relations between Government, Treasury and bankers

The City remained calm during the period between the December 1923 election and the formal installation of the Labour Government. This can be explained in part by the fact that Labour was to be in a minority, and in part by the obvious moderation of its leaders. In December 1923 MacDonald asked Reginald McKenna, a war-time Chancellor of the Exchequer and the current Chairman of Midland Bank, to sound out the reaction of the bankers to the possibility of a Labour Government. This was not the action of a revolutionary! He was reassured by what McKenna told him: "Reply favourable; bankers now regard themselves as semi-officials and would not countenance panic. Would be fair."[34]

McKenna may have neglected to consult Montagu Norman, whose actions in early January 1924 suggested that he was rather less sanguine about the prospect of Labour coming to office. On 14 January Norman advised City bankers, without any publicity, that he was lifting the existing restrictions on foreign lending. Given that the pound was at its lowest level since 1922 this was an astonishing decision and intelligible only if his motives were to permit investors to escape the capital levy, and to give the new government a shock. This suggestion is given added credence by the story recounted by Norman's secretary that, when it became clear Labour would form the next government, Norman said: "this means the beginning of the end of all the work we have been doing."[35] On 22 January, the same day that the Conservative Government was voted out of office, Norman went to see Snowden and found, to his surprise, that Snowden fully supported a return to the gold standard and the measures

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[32] Munro, *Fountains*, p 195.
[33] Clarke, *Keynesian Revolution*, p 37.
[34] MacDonald diary 10 December 1923.

necessary to achieve it.[36] This indicates the lack of understanding between Labour and the Bank before Labour took office, and also that the Governor of the Bank of England was willing to make very 'political' decisions in order, perhaps, to impress on the future government the discipline required to keep the pound rising towards its pre-war level of exchange.

It is difficult to imagine that Snowden could have remained ignorant of what Norman had done for long, but there is no record of any recriminations. On the contrary, Snowden immediately formed excellent relations with both Norman and the senior officials at the Treasury. As Churchill put it, "the Treasury mind and the Snowden mind embraced each other with the fervour of two long-separated lizards."[37] (In 1929 Snowden replaced Churchill as Chancellor, found that the office had been rearranged and insisted that it was put back to the state in which he had found it in 1924.[38]) Snowden wrote in his memoirs of Otto Niemeyer that he was "one of the ablest civil servants I have met"; and of Montagu Norman that "I know nothing about his politics. I do not know if he has any ... no man with great responsibilities ever tried more faithfully to discharge them with the simple aim of promoting national and international well-being."[39] One might even surmise that Snowden did not mind the Bank firing a warning shot across the bows of the more impetuous members of his party. Certainly it should already be apparent that Snowden's economic philosophy was in harmony with the orthodox Treasury civil servants, and not with the adventurous economists and politicians of whom he was so scornful.

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[35] Andrew Boyle, *Montagu Norman* (London: Cassell, 1967), p 166.
[36] Boyce, *British Capitalism*, p 50.
[37] from Cross, *Philip Snowden*, p 197.
[38] Snowden, *Autobiography: Volume 2*, p 769.
[39] Snowden, *Autobiography: Volume 2*, pp 614-5. See also RS Sayers, *The Bank of England 1891-1944* (Cambridge: 3 vols, Cambridge University Press, 1976), p 133. Not every Labour contemporary was quite so enthusiastic. One left-wing journalist complained of Norman: "It was clear from his manner that he was not prepared for or interested in argument, nor despite the precision and clarity of his actual choice of words was the case itself intellectually argued. It was an expression of beliefs intuitively held." (Williams, *Nothing So Strange*, p 99.)

5. Government spending, taxation and the national debt

The capital levy

At the meeting held just a few days after the 1923 election, a small group of the Labour party's leaders (MacDonald, Snowden, Webb, Henderson, Clynes and Thomas) disregarded the manifesto commitment and agreed to drop the capital levy in favour of a committee of inquiry into the national debt.[40] MacDonald had always been lukewarm about the levy, and immediately after the election had complained to Dalton that it had cost the party a vast number of votes.[41]

MacDonald announced the committee of inquiry to the Commons in his major policy statement on 12 February 1924. Its terms of reference included questions of taxation and the national debt, and it was to be chaired by Lord Colwyn. The only specific tax which MacDonald came close to supporting in his statement was not the levy but the land tax, arguing that large increases in land values brought about by publicly funded relief works might be worthy of special attention.

The Colwyn Committee on national debt and taxation chuntered away throughout the life of the government. In August 1924 the Board of Inland Revenue produced a memorandum for the committee which was strongly critical of the capital levy. It concluded:

> The Board are not dealing with the policy of introducing such a tax, nor with the equity of an annual tax based on capital which pays no regard to the annual yield on the capital. On the practical grounds ... it will however be seen that any such tax would cause great difficulties, and be very costly to administer.[42]

The Committee eventually ceased work in 1926, some two years after Labour had left office, having been unable to reach a unanimous decision. The majority (bankers and industrialists) rejected the capital levy outright; and the minority

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[40] Cross, *Philip Snowden*, p 193; and Snowden, *Autobiography: Volume 2*, p 594.
[41] Dalton, *Call Back Yesterday*, p 143.

(Labour members) regretted that the time for it seemed to have passed.[43] The levy did not feature heavily in future Labour propaganda.

The 1924 budget

The evidence shows that in drawing up the budget plans, as in other matters, Snowden agreed with the advice of his Treasury officials, did not seek assistance from anyone outside the Treasury and tended to ignore it when it was offered. On 24 January Niemeyer wrote to Snowden setting out the financial position and suggesting four areas in which savings in government spending might be found: the Navy's proposed cruiser programme (£5 million); the Singapore Naval Base; Ulster special constables (£1 million); and "general water" in the Estimates, particularly those of the Navy (£6 million).[44] Three of these four points relate to the Navy, and as chapter 5 will show it was indeed with the Navy that the major battles were fought over the 1924 estimates. Niemeyer also argued against any increase in taxation, and deployed figures to show that per head taxation in Britain was already twice as high as in the US and France. Either Snowden followed Niemeyer's advice, or the two were simply already thinking, independently, along the same lines. Snowden's speeches after leaving office at the end of 1924 suggest the latter.

Over the coming months Niemeyer continued to provide Snowden with a stream of advice, reinforcing the message that taxes should come down and putting corporation profits tax at the head of the queue, though Niemeyer did allow, holding his nose, that "I assume that it will be politically necessary to modify some indirect taxes" such as sugar and tea.[45] Interestingly, even despite Snowden's oft-avowed adherence to financial rectitude, as the government's plans took shape Niemeyer also felt it necessary to warn that because much of the projected surplus which Snowden was planning to use on permanent tax reduction and modest increases in spending was non-recurring, "you are ... in

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[42] Note by the Board of Inland Revenue on an annual tax on capital for the Committee on National Debt and Taxation, August 1924 (TNA IR/74/25).
[43] Niemeyer to Churchill, 22 November 1926 (TNA T/176/39).
[44] Niemeyer to Snowden, 24 January 1924 (TNA T/171/226).
[45] Niemeyer to Snowden, 10 March 1924 (TNA T/171/226).

my judgement taking considerable, if not unjustifiable, risks as regards the future."[46]

The Cabinet minutes reveal that the majority of the Labour ministers had to wait until the morning of the budget speech – three days after the King had been informed – to find out what their financial policy was! No disquiet is suggested in the Cabinet minutes: it is recorded that at the end of the meeting the Cabinet agreed "to place on record a strong expression of the Cabinet's satisfaction with the Chancellor of the Exchequer's proposals for the first Budget of a Labour Government."[47] Snowden's budget plans were to impose no new taxes; and to abolish or reduce several existing taxes, in particular corporation profits tax and indirect taxes on foodstuffs. In short, the budget broadly followed the guidelines set down by Niemeyer. The box below summarises the main points. Snowden's delivery in the Commons, after recently recovering from illness, was a triumph. "This is the best I have been able to do" he began his peroration modestly, "in the short time we have been in office". Rather less modestly, he claimed to have taken "the greatest step ever made towards the realisation of the cherished Radical ideal of a free breakfast table", and in so doing had maintained "unimpaired the national credit on which the very existence of the country depends."[48]

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[46] Niemeyer to Snowden, 2 April 1924 (TNA T/171/226).
[47] Lord Stamfordham to Snowden, 26 April 1924 (TNA T/171/226); Cabinet 28(24), 29 April 1924.
[48] HC Debates, 29 April 1924, vol 172, col 1610.

Summary of the 1924 budget

On current patterns, 1924-25 estimates:

- Government spending: £790 million
- Government income: £828 million

In the light of these projections, main changes introduced:

- Corporation profits tax abolished
- Inhabited house duty abolished
- Sugar duty cut by over half
- Tea duty halved
- Cocoa, coffee and dried fruits duties cut; sweetened table waters duty abolished
- Entertainments duty abolished for cheap seats and cut for intermediate seats
- No change to income tax or super tax
- McKenna duties allowed to lapse on 1 August 1924
- Land Valuation Office to be re-invigorated as first step in introduction of land values tax
- Small surplus of £4 million to be retained for, eg, removal of thrift restriction on old age pensions

Source: HC Debates, 29 April 1924 (Vol 172, cols 1587-1610)

In the Commons speakers from all sides complimented Snowden on the budget and his presentation of it. However Sir Robert Horne, for the Conservatives, asked "But where are all the grandiose schemes?". What of the long-trailed housing programme, or the works programmes which would eliminate unemployment? In fact, Snowden had nothing to say about the works programmes because there was little in the pipeline and, as became clear when the housing programme was announced in June, most of what there was would not fall to be paid until several years later.

Sir John Marriott mischievously suggested that it would be best to remove politics from the budget altogether by arranging for the budget proposal to be drawn up "by the permanent members of the Civil Service" and presented anonymously to the Commons "by means of a loud speaker ... with a single eye to the prosperity of the country as a whole."[49] This aside illustrates how widespread was the belief that economics was a science, that it was possible to arrive at a set of economic policies which were objectively 'best', and how as a result it was difficult for opponents of orthodoxy to argue that different policies

[49] HC Debates, 1 May 1924, vol 172, col 1914.

might be justified in different circumstances, or might be worth pursuing in order to benefit different sectors of society over others.

Outside the Commons the budget was generally welcomed, even by the President of the London Chamber of Commerce.[50] It is illuminating that *The Times* was more complimentary about the budget than the Labour-supporting *Herald*, *The Times* stating that "the first Labour budget, by the consent of all ... is an extremely clever production" and the *Herald* more cautiously concluding that Snowden "holds with the Prime Minister that the chief business of the Government is to show that Labour can govern."[51]

The land tax

As for the land tax, after the budget a committee of officials on tax on land values was created, and the Inland Revenue prepared four reports into the feasibility of the tax. The reports exude scepticism, though they are clear that the tax would be technically possible. They list dozens of practical problems, with potential solutions to only some of them. The Inland Revenue's covering memorandum concludes: "In the Board's view it would be impossible in the condition of the present time to levy a national tax at any really heavy rate ... without creating a sense of great hardship", and that if the tax was introduced it should be done so as part of a general scheme to reform the current local taxation rating scheme.[52] These reports were not finalised until September 1924 and so Snowden had little time to build on them before leaving office, but there should be no doubt that Snowden fully intended to pursue the scheme in the next budget, and it is intriguing, if ultimately fruitless, to question whether the civil service's high regard for Snowden would have carried over into the implementation of a tax for which they held little affection. It is also interesting to contrast Snowden's actions in relation to the land tax, to which he was genuinely committed, and the capital levy, which was also Labour party policy but which

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[50] Address by Lord Kyslant to the London Chamber of Commerce on 30 April 1924, reported in *The Times*, 1 May 1924.
[51] *The Times* and *Daily Herald*, both 30 April 1924.
[52] Report of the committee on tax on land values (TNA T/172/1332); and Richard Hopkins to Snowden, 26 September 1924, enclosing four Inland Revenue reports on land tax (TNA T/171/234).

held no attraction for Snowden. Snowden instructed the Treasury and other departments to work on the *implementation* of the land tax; but he was happy to see the *principle* (not the practicalities) of the capital levy remitted to an all-party committee which would sit for two years.

Snowden's policies

Snowden did not pursue a socialist economic policy. The only reason it is impossible to add that his was not a Labour policy is because there could be no such thing: the party had no clearly identifiable economic and financial policy, except one or two proposals such as the capital levy, which were not pursued. This lack of clarity helps to explain why Snowden was so enthusiastically supported by the Labour party in 1924, but points the way to problems when Labour returned to office in 1929, when Labour critics of orthodoxy had more fully worked through alternative policies, and the leadership had no new policy and no new analysis to offer, just the same didactic certainties of the past applied without modification to each new situation. By way of contrast, in the later 1920s Churchill was at least willing to question his officials, for example in 1927 rounding on Niemeyer's assertion that the size of the debt was insignificant compared with the cost of servicing it:

> There is more in the life of a nation than the development of an immense rentier class quartered in perpetuity upon the struggling producer of new wealth. I think I should either be furnished with very massive, easily understood arguments in a contrary sense or with suggestions for some timely modification of our policy.[53]

The characteristics of Snowden's budget were those of an old-fashioned Liberal budget. Snowden agreed with the Treasury that it was necessary for spending and taxation to be balanced (after provision had been made for debt reduction) and for any surplus to go on tax cuts rather than spending increases. One nuance which was distinctively Snowden and not the Treasury was the emphasis on cutting indirect taxes on food, which disproportionately benefited the poor, who spent a greater proportion of their income on food than the rich.

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[53] Churchill to Niemeyer 26 January 1927 (TNA T/176/39).

As a result of the 1924 budget the tax burden shifted modestly from indirect to direct taxation, reversing the post-war trend.[54] But even here what was uppermost in Snowden's mind was probably not a redistribution of the tax burden, and certainly not an embryonic notion of boosting purchasing power in order to stimulate the economy, but achieving that old free trade totem, the 'free breakfast table'. Aldcroft is not therefore correct to argue that Snowden "attempted to reverse the deflationary thrust by reductions in taxation": this may have been a consequence of his actions, but was not a cause of them.[55] When Snowden returned to office in 1929 the effect of his policy was deflationary as he insisted on raising taxes in order to pay for the rising cost of unemployment benefits.

6. The gold standard

In March MacDonald and Snowden announced their agreement with the recommendation of the Cunliffe Committee that the pound should return to the gold standard at its pre-war level.[56] Any other course of action would have been almost inconceivable, an admission that the war – and the advent of a Labour government – had permanently weakened the British economy.

Opposition to the policy was scattered, and critics tended to concentrate their fire not on the principle of returning to gold at par, but on the severity of the deflation needed to achieve it. The TUC and Labour Party's joint advisory committee on finance and commerce objected to a possible increase in the bank rate in June 1924 in the following equivocal terms:

> Whatever may be said in favour of submitting to some measure of deflation in order to secure the advantages of a gold standard, a moment when the trade revival is hesitating, when prices in America are falling and when we are entering on the period of the normal seasonal downward fluctuation in exchange rates, seems a particularly inopportune one for putting such a policy into practice [and] looks very much like a

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[54] The budget changed the percentage of revenue raised by indirect taxation from 36.5 % to 33.9 % (HC Debates, 1 May 1924, volume 172, col 1923-4).
[55] Aldcroft, *British Economy: Volume I*, p 26.
[56] HC Debates, 18 February 1924, vol 169, col. 1309.

> sacrifice of the immediate interests of the general community to the immediate interests of the bankers.[57]

Niemeyer pencilled a curt "nonsense" next to this paragraph in the Treasury copy of the memorandum before forwarding it to Snowden. Even Keynes, who later became a strong critic of the gold standard, said in July 1924 that he was not against returning to the old parity: he simply advocated getting there by holding British prices stable and allowing those in other countries to rise, rather than by active deflation.[58] The FBI argued for the reinstatement of the Cunliffe Committee to revisit the whole issue, but Niemeyer dismissed their case in terms so strong that Boyce accuses Niemeyer of actively misleading his Chancellor about the state of opinion in the financial community.[59] Whatever the truth of this, Snowden showed no desire to look beyond his official's advice.

It would not be accurate to portray Snowden – or even Niemeyer and the Treasury – as being determined to achieve par at any cost. The Labour Government actually fought off calls from some in the financial sector, such as the Chairman of Westminster Bank, to increase bank rate.[60] Throughout 1924 the pound rose steadily, but slowly, and Snowden was unable during his Chancellorship to set a date for the return to gold. This he was forced to leave to his successor Churchill to do in April 1925.

Snowden was not willing to raise bank rate at a time when British industry was thought to be struggling, but he was single-minded in his determination to force the pound back to gold. The Cabinet Minutes indicate that there was no discussion whatever of either the principle of returning to the gold standard or the most appropriate means of achieving it. The Treasury papers for 1924 are entirely lacking in evidence of the kind of internal debate and testing of policies which Churchill, when Chancellor, regularly incited. Overall, this lack of debate within the Labour party at senior levels, and the failure to use the expertise of

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[57] Memorandum dated June 1924 by JE Norton, Joint Research and Information Department, TUC and Labour Party Advisory Committee on Finance and Commerce (TNA T/176/5).
[58] Keynes' evidence to the Chamberlain / Bradbury Committee on the Currency and Bank of England Note Issues, 11 July 1924 (TNA T/160/197).
[59] Niemeyer to Snowden, 29 February and March 1924; FBI to Governor of the Bank of England, 9 July 1924 (all TNA T/176/5); and Boyce, *British Capitalism*, p 53.

the Treasury and the rest of the civil service to test existing policies against emerging economic circumstances, left Labour ill-equipped to respond to the financial and economic hurricane which descended in 1929. And ominously, even in 1924 it was not difficult, at least in private, to discern the contrast between Snowden's high regard for the 'apolitical' public spirited officials in the Treasury and the Bank and his contempt for sections of his own party.

Boyce has argued that the very existence of a Labour Government was enough to hasten the return to the 'knave proof' gold standard, as Norman and other leading figures in the Bank of England wanted to lock the economy into a prudent system before a future Labour Chancellor less trustworthy than Snowden was tempted to squander public money on higher benefits, subsidies and the like.[61] The extent to which Snowden avoided debate within the Labour party, and his evident sympathy with mainstream Treasury opinion, lead one to wonder (though there is no evidence) whether Snowden actually shared their motives.

7. Free trade and protection

As we saw in the introduction to this chapter, the Labour party was strongly pro-free trade. In 1924 it had two opportunities to prove its credentials.

In the budget statement Snowden informed the Commons that the McKenna Duties would be allowed to lapse on 1 August that year, one of the few announcements that caused any real controversy. Horne claimed that the proposal revealed the government's "callous indifference to the question of employment", and speakers on all sides of the House (often those with significant car industries in their constituencies) were critical.[62] Graham defended the decision on three main grounds. First, that the original intention had been to save scarce shipping space during the war, but that there was now spare capacity in shipping. Second, that it was necessary to achieve free trade

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[60] Reported in the *Liverpool Post*, 26 July 1924 (in TNA T/160/197).
[61] Boyce, *British Capitalism*, pp 56-7.

"for the rehabilitation of our exchanges", and "to the extent which we can improve our credit we make the general task of world recovery easier"; and finally the specious argument that as car imports had increased from 1916-1923 the tariff was clearly ineffective.[63]

The Conservatives forced a second debate on the issue on 13 May, though they had no chance of winning any vote in the Commons. Baldwin asserted that the issue was not free trade against protection, but employment. The government had no policy to cut unemployment, he asserted, and yet they proposed to risk jobs in the motor industry by permitting the importation of cheap American cars. Snowden responded on both the theoretical and practical level. He accepted that a single industry might benefit from a tariff, but that the industry could only benefit to the extent that the rest of the economy was penalised. Practically, he argued that the Duties had originally been imposed for war purposes, so the car manufacturers always knew that they would be repealed, and that the growing UK car industry would have expanded without the tariff and would continue to do so without one. With the Liberal Party siding solidly with Labour, the Conservatives' critical motion was defeated by 317 votes to 252.[64]

Behind the scenes the government had been lobbied by trade unions and manufacturers in an effort to maintain the Duties. The Board of Trade's memorandum for Ministers covering a letter by the Association of British Motor Manufacturers to the Prime Minister was robust:

> Assuming protective duties to be bad in principle, or at best to be only expedient for temporary purposes ... there is clearly no valid reason for maintaining duties which have served their temporary purpose ... the present claim of the industry that after some years of protection and expansion the duties cannot be dispensed with is an illustration of the way in which protective measures intended to be temporary always give rise to vested interests in their maintenance.[65]

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[62] HC Debates, 29 April 1924, vol 172, cols 1611-14 (Horne - Conservative); 30 April 1924, vol 172, col 1712 (Berkeley – Liberal); col 1748 (Duncan – Labour).
[63] HC Debates, 1 May 1924, vol 172, col 1866.
[64] HC Debates, 13 May 1924, vol 173, cols 1187-1295.
[65] Letter from Association of British Motor Manufacturers to Ramsay MacDonald, 28 February 1924. and accompanying memorandum by the Board of Trade (TNA T/171/225).

Niemeyer's note to Snowden about a deputation from the National Union of Manufacturers was simply rude: "The Manufacturers' Union consists mostly of somewhat second class people of a highly protectionist complexion."[66] The private lobbying even extended to the head of state. On 26 April (three days before the Cabinet was informed of the contents of the Budget) Lord Stamfordham wrote to Snowden:

> His Majesty congratulates you upon the very substantial surplus ... he entirely approves of all your proposals; but he must express regret that the McKenna Duties are to be abolished from the 1st August next.[67]

The second main issue arose from the 1923 Imperial Economic Conference, which had agreed, with the gentle prodding of the British Conservative Government, to propose some modest imperial preference resolutions. These would require the ratification of the Commons before they could be put into effect, and soon after entering office MacDonald promised that the government would put the resolutions before the Commons to decide. As with the McKenna Duties, it was clear that the free trade majority in the Commons would defeat the resolutions' supporters, and it was no surprise that Snowden confirmed in his budget that the government would vote against them.

The debate itself was held on 17 and 18 June. There was some criticism of the Government for reneging on pledges made to the Dominions, but Thomas effectively countered this by pointing out that the then Conservative Government should have made it clear that they could not guarantee that the Commons would ratify any proposals. The most interesting contributions came from two backbench Labour MPs: Thomas Johnston and Campbell Stephen, who suggested that the Commons should be concerned not with tariffs but with the working conditions of those who produced the goods in question. He argued that all imports from countries which did not accept the Washington Convention on labour should be banned. Thomas did not take up this suggestion. All of the resolutions were defeated, but the first four by an average of only fourteen

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[66] Niemeyer to Snowden 15 February 1924 (TNA T/171/234) and Treasury brief in response to deputation by National Union of Manufacturers, 21 February 1924 (TNA T/171/225).
[67] Lord Stamfordham to Snowden, 26 April 1924 (TNA T/171/226).

votes, indicating a greater level of support for reciprocal trading arrangements with the Empire than for the standalone McKenna tariffs.

It is unsurprising that in 1924 the free trade debate tended to split along party lines. For the purposes of this thesis what is more interesting is the freedom with which Niemeyer felt able to express his views, indicating the harmony between senior Treasury officials and the Chancellor, and the short shrift received by Labour MPs who proposed any alternative ideas.

8. Conclusions

The Labour Government's economic policy was rigidly orthodox. This is shown by, inter alia, its old-fashioned Liberal-style budget, and its support for the gold standard and free trade. It is also interesting to consider what would have been in the 1925 budget, had Labour remained in office. Even with more time to prepare a budget, all Snowden seems to have had in mind were the introduction of those old radical staples the land tax and further progress towards the 'free breakfast table'.

Much of what the government did was of a tit-for-tat nature which was easily reversed by the Conservative Government which followed it. The McKenna duties, for example, were re-introduced in 1925. This is, perhaps, not altogether surprising given Labour's short term of office and their aim to govern moderately and competently, but it does help to illustrate the paucity of the Government's ideas on the economy.

Relations between Ministers and civil servants were generally frictionless, but the flow of information was decidedly one way. Treasury and Board of Trade officials constantly lectured Ministers on the reasons for following orthodox policies and the consequences of not doing so. Some Ministers, particularly Snowden and Graham, were in whole-hearted agreement, and some, such as MacDonald, lacked the expertise and confidence to question them further. There is an obvious contrast between MacDonald's attitude to economic policy, where

he lacked expertise, and MacDonald's willingness to over-rule officials and military advisers in the field of foreign policy.

There is some evidence that Montagu Norman sought to pressurise the Government in January 1924 by lifting restrictions on foreign lending, and that the return to gold was brought forward to prevent a future Labour government destabilising the economy, but Snowden remained one of Norman's staunchest admirers. There is no evidence from the Treasury and the Board of Trade that civil servants undermined the Government, though the Government's actions were so orthodox that no civil servant, however mistrustful of Labour, could have felt such action necessary.

The 1924 Government's rigidly orthodox policies were largely disguised by Labour's minority position in the House of Commons, and the secrecy with which policy was habitually made.[68] However, as I have shown, behind the scenes there were no plans for innovative tax reforms, or increased state control over the economy, stymied only by the lurking presence of the Liberal and Conservative majority in the Commons. There was not even much preparation, nor use of the research capabilities of the civil service, for the development of such policies. Soon after taking office, Wheatley discussed with John Scanlon, a young Labour left-winger, what the Government could usefully do given its minority position. Scanlon answered that drawing up an inventory of the nation's wealth would be a useful basis for future policymaking, but these and other suggestions were not followed up by the Government.[69] In answer to a parliamentary question on 14 February 1924, Tom Shaw averred that he had no intention whatsoever of taking on any Ministry of Labour staff with "labour experience and knowledge" (ie. those who might have had an alternative perspective on policy) outside the normal civil service channels.[70] This forms a neat contrast with the view of David Lloyd George: "I have never taken the view that the head of a Government Department is forbidden by any rule of honour or etiquette from sending for any person either inside or outside his office,

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[68] Daunton, "How to Pay for the War", p 918.
[69] Wood, *John Wheatley*, p 122.
[70] HC Debates, 14 February 1924, vol 172, col 1574.

whatever his rank, to seek enlightenment on any subject affecting his administration."[71]

The first Labour Government actually saw the Treasury increase its control over policymaking. In the aftermath of the rent bill fiasco (chapter 2), the Cabinet approved the issue of a Treasury circular instructing amongst other things that all government departments should discuss proposals with the Treasury and other interested departments before they were submitted to Cabinet.[72] This gave the Chancellor advance warning and an opportunity to stamp on policies deemed too expensive before they were even considered by the full Cabinet. Even Winston Churchill as Chancellor at least brought together officials and critics of the Government's policies, listened to the arguments and asked the Treasury civil servants to justify their assertions.[73]

I noted in the introduction that the passages in the Labour and Liberal manifestoes on tariffs were virtually interchangeable. As Lowe points out, in many respects Labour was even more orthodox than the radical wing of the Liberal party. He writes of the early 1920s that "New Liberalism's equation of social with productive expenditure, for example, had been replaced by a general acceptance of the Treasury view that all public expenditure was to be deprecated as a lost investment."[74] This meant that it was impossible for Labour to justify costly social policies on economic as well as social grounds.

Labour's acceptance of the prevailing economic orthodoxy has been endlessly criticised, but it would be a mistake to think that alternative economic policies were ready to pick up 'off the peg'. Although some economists, notably Keynes, were working on the idea that deflation - which favoured the financier who held fixed interest bonds over the industrialist who needed cheap loans and rising prices - was not inevitably the right policy for all circumstances, and that government action to stimulate demand in the economy might have beneficial

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[71] Lloyd George, *War Memoirs III*, pp 171-2, quoted in Jennings, Cabinet Government, p 122.
[72] Cabinet conclusions 27(24), 15 April 1924.
[73] See for example Churchill to Niemeyer, 26 January 1927 (TNA T/176/39); and Clarke, *Keynesian Revolution*, p 49.

effects, such ideas were still in their infancy. One of the landmark texts in the development of 'Keynesian' policies, Oswald Mosley's *Revolution by Reason*, was only published in 1925.[75]

What is noteworthy from the perspective of 1924 is that Labour's leaders were unwilling even to encourage the development of alternative views against which to test their existing policies, and which might have lent them ammunition if they ever desired to depart from the path of orthodoxy in any policy field. Since 1922 there had been a joint Labour-TUC research department, and advisory committees on each policy area, consisting of both Labour members and others sympathetic to the party. Many prominent figures in the younger generation of Labour supporters, such as GDH Cole, Hugh Dalton and Harold Laski, took a close interest in economics. But the evidence of the 1924 Government shows that Snowden ignored these Labour party sources of information and advice, and listened only to Treasury officials such as Niemeyer and other pillars of the financial establishment such as Montagu Norman, the Chairman of the Bank of England.

Finally, it is interesting to note that Labour's policy in 1924 had more in common with the works programmes proposed in the later 1920s by the Liberal party and by Keynes than is commonly supposed. Labour and the Treasury thought that an increase in international demand would revive the flagging economy, while the Liberals and Keynes thought that an increase in domestic demand would do the trick. Both policies had little to say about whether internal structural deficiencies might impair the ability of British industry to take advantage of any increase in demand.

There was one glimmer of innovation: the Government's willingness to create committees of inquiry on economic matters. I have already mentioned the Colwyn Committee on the national debt and the capital levy. Secondly, in July the Cabinet approved a proposal to appoint a committee to examine the

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[74] Rodney Lowe, "The Ministry of Labour, 1916-1919: A still, small voice?", in Burk, *War and the Transformation of British Government*, pp 121-22.
[75] Oswald Mosley, *Revolution by Reason* (Birmingham: Blackfriars, 1925).

"conditions and prospects of British industry and commerce, with special reference to the export trade", under the Chairmanship of the industrialist Sir Arthur Balfour. Thirdly, and potentially most impressively, the Government established a permanent Committee of Civil Research (CCR) to consider economic matters. But, unfortunately given this impressive-sounding list, the disappointing devil here lies in the detail. Sometimes the Government simply intended to follow the time honoured practice of kicking difficult or embarrassing issues into the long grass. This motive can certainly be ascribed to the creation of the Colwyn Committee, which dutifully reported years later, as MacDonald and Snowden had hoped, that if the levy had ever had any merit its time had passed. At other times the scope for genuine enquiry was severely limited by the committee's terms of reference. The Board of Trade memorandum proposing the establishment of the Committee on industry and trade made it clear that the Committee's first task would be to examine British overseas trade, and its second task would be to consider how British industry could best be fitted to meet the international situation. In other words, the primacy of the export trade was to be taken for granted: this was a committee on *international trade* masquerading under a false name. The General Council of the TUC was not informed in advance about the creation of this Committee, and as a result refused to become involved in its work.[76]

The Committee of Civil Research was potentially the most interesting economic innovation by the Government. But the impetus for it came not from the heart of the Labour party but from Viscount Haldane and the Treasury. Haldane's interest in the issue stemmed from his long-standing involvement in administrative reform. He thought that the CCR might come to play a co-ordinating role in economic policy similar to that played by the Committee of Imperial Defence (which, under Labour, Haldane chaired) in defence policy. The Treasury envisaged the body primarily as a glorified statistical research body under general Treasury direction.[77] The Cabinet approved the creation of the Committee in principle in July 1924, but MacDonald was as little interested in

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[76] David Howell, *MacDonald's Party* (Oxford: Oxford University Press, 2002), p 195.
[77] Parker, "Lord Haldane: Labour's First Lord Chancellor", p 107; and Treasury memorandum, 30 June 1924 "Foresight and co-ordination in economic enquiry (Cabinet paper 366(24)).

the embryonic CCR was he was in the well-established CID, and the CCR did not begin to function until the Conservative Government completed the initiative in 1925. Haldane noted with regret: "the Conservative administration secured much applause for something the nature of which they appeared to have barely grasped."[78] Following the CID model, the Committee was composed of Ministers and senior civil servants, with outsiders contributing only when invited to give evidence.[79] It was not until Labour returned to office in 1929 that the party saw a possible role for outside members on the committee, and in February 1930 the CCR was reconstituted as the Economic Advisory Council, including Ministers, civil servants and outside members drawn from academia (eg. Keynes), industry (eg. Sir Arthur Balfour) and the unions (eg. Walter Citrine).[80] This body did provide a useful forum for the interchange of ideas between the various sides of the policy debate, though according to the Treasury mandarin Sir Edward Bridges it was only during the second world war that professional economists gained a role in policymaking.[81]

In 1924 socialism, that is increased state control over the economy, seems to have been just another of the unrealistic alternative policies in which the Cabinet were entirely uninterested. The only Minster to propose an increase in state control was Emanuel Shinwell. As Minister with responsibility for the mines Shinwell proposed to his chief, Sidney Webb, that the Government should draw up a draft bill to nationalise the mines. Shinwell based his arguments on very practical grounds, contending that nationalisation would improve the efficiency of coal production, and would be a logical extension of the war-time controls over the industry and more recent legislation such as the Mines (Working Facilities and Support) Act 1923. Shinwell noted that the Coalition Government had considered introducing such a bill, and suggested that the cost – perhaps £100 million – would not be prohibitively high. Webb, in consultation with MacDonald, agreed that such a bill could be prepared, but left "for future consideration according to the political situation" whether it would actually be

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[78] Haldane, *Autobiography*, p 332.
[79] Minutes of the Committee of Civil Research 1925-1928 (TNA CAB 58/1).
[80] Minutes of the Economic Advisory Council (TNA CAB 58/2); and Notes on the industrial situation and on an economic general staff (TNA CAB 58/5).
[81] Sir Edward Bridges, *Treasury Control* (London: University of London Press, 1950), p 15.

sensible to bring it before Parliament.[82] When a month later a back-bench Labour MP introduced a similar Nationalisation of Mines and Minerals Bill the full Cabinet took fright and resolved "that it is inexpedient for the Government to commit themselves at the present stage definitely to the policy of nationalisation."[83] This was a timid response indeed from a party committed by its constitution to increased state direction of the economy in relation to an industry which was probably more in need than any other of state assistance in order to overcome structural problems of which there was already considerable evidence that the industry alone was incapable of solving.

In its own terms the Government did perform creditably in its key economic policy: the improvement of international relations, which it was hoped would revive international trade and in particular Britain's pre-war share of that trade. But in the international arena events were even further outside its control than they were in the domestic economy, and a clear-headed assessment of the economic situation would have revealed that Britain could never hope to recover the international trading position it had enjoyed before the war, and that its economy would increasingly have to be stimulated by domestic demand being met by domestic supply. Labour was not alone in failing to identify this in 1924, but it did little in office to conduct the objective research which could have more quickly led to better economic policymaking.

In the field of economic policy, the Labour Government showed its ability to administer, but not to rule. And what good is an apprenticeship if the apprentice does not learn new skills?

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[82] Memoranda by Shinwell and Webb, April 1924 (TNA 30/69/46).
[83] Cabinet conclusions 32 (24), 15 May 1924.

Chapter 4 – Unemployment policy

1. Introduction

Unemployment proved the most difficult aspect of Labour's apprenticeship. It was here that they promised the most and achieved the least. On the eve of taking office MacDonald promised that for the first time a government would "consider the problem of unemployment from a human point of view".[1] This chapter examines the actual results of this new point of view, by analysing contemporary attitudes to unemployment policy, the evolution of Labour party policy, and events during the 1924 Government. The chapter shows that some reforms of the benefit system were implemented, but that the Government was found wanting when it came to policies which might actually reduce the number of people without work. As with the Government's economic policy examined in the previous chapter, it is suggested that the political and parliamentary situation in 1924 concealed the Government's confusion over unemployment policy.

Unemployment had risen rapidly in the recession which followed the war. As noted in the previous chapter, it peaked at 2.4 million people in May 1921, and though it then fell back, it remained above 1 million at the start of 1924. Economic historians disagree about whether this rate of unemployment was significantly higher than those of pre-war years.[2] But the key point for this thesis is that the question of what to do about these 1 million people featured more prominently than ever before in politicians' manifestoes and speeches, if not always in their actions.

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[1] *The Times* 9 January 1924.
[2] See MA Crowther, *Social Policy in Britain 1914-1939* (London: Macmillan, 1988), p 40, for a summary of the debate.

Background: unemployment benefits

It was common currency amongst policymakers in the early 1920s that unemployment was abnormally high because international trade had been temporarily disrupted by the war, and that the best cure for unemployment was the resumption of normal patterns of international trade. The best policies against unemployment were, therefore, more of the same policies that were best for the economy for every other reason. If unemployment persisted in conditions of more-or-less free trade, the problem was likely to be a blockage in the labour market: workers, assisted by trade unions, were pricing themselves out of work by refusing to work for a wage that the economy could bear. Classical economists such as AC Pigou argued that over-generous benefit payments enabled some people voluntarily to withdraw from the labour market and live off benefits – in effect, making a living by sponging off the work of others.[3] If one accepted this economic outlook, as most contemporary policymakers did, it followed that unemployment benefits were, at best, a necessary evil; and certainly never an economically useful tool in their own right.

Until 1911 the only means of state help for the unemployed came from the poor law. The National Insurance Act of 1911 created a regime which provided a measure of protection against unemployment for around a quarter of the British workforce. In the trades covered by the Act, the employer and employee paid an equal weekly contribution, topped up by the government; and a worker who lost his job would be paid benefit if he had paid at least 26 weeks of contributions, with 1 week's benefit being payable for each 5 weeks of contribution. The maximum benefit payable was 15 weeks in a year. The scheme was intended to be self-financing and, in part because of the low unemployment during the first world war, by November 1920 the Unemployment Fund had built up a healthy surplus. However, even by 1920 the ground had already been laid for the Fund's later financial woes. In November 1918 the Coalition Government established a scheme by which

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[3] AC Pigou, *Aspects of British Economic History, 1918-25* (London: Macmillan, 1948), p 42.

members could get benefits irrespective of whether they had paid sufficient contributions, called "uncovenanted" benefit to differentiate it from "covenanted" benefit to which the worker was entitled owing to his earlier contributions. This was an emergency measure, in response in particular to the requirements of large-scale demobilisation, but subsequent Acts put uncovenanted benefit on a more permanent footing and further extended the scheme's coverage. As the economic situation turned black and unemployment rose, the Minister of Labour was given a discretionary power to grant uncovenanted benefit as necessary, in order to prevent a massive overload on the poor law. This was accompanied by some tightening of the conditions accompanying entitlement to benefit, but even so by March 1923 the Fund surplus had been converted into a deficit of £17 million.

Background: public works

Unemployment benefits were well established by the time Labour took office in 1924, and the main battlegrounds were over finding the right level of payments and the conditions of eligibility. More controversial was the question of whether the state could or should do anything to create work for the unemployed. At the start of the decade, the view was still widespread that large-scale unemployment was a temporary phenomenon, which would be eliminated when the international economy resumed its normal level of activity. But as years began to pass and unemployment remained at over 1 million, calls increased for the government to intervene to provide work, and not simply dole out money while keeping men idle. In 1909 the Minority Report of the Royal Commission on the Poor Law proposed the phasing of public projects which would be undertaken anyway (eg. the building of roads and sewers, or land drainage) so that they were stored up when the economy was healthy and then carried out during depressions. This idea of "counter-cyclical" public works gained some currency in the years before the war, but as the 1920s drew on and continued to be 'abnormally' lean it proved impossible to store up any extra work.

There was no suggestion in the 1909 Report that the works themselves would stimulate the economy, unless they could be shown clearly to add to the future

productive capacity of the country. It was not until Mosley's *Revolution by Reason* in 1925, and the development of Keynes' ideas, that it began to be suggested that by massaging aggregate demand the government could actually stimulate economic growth. The implications of the absence of any theoretical underpinning of this kind for proponents of public works is examined in section 5.[4]

The arguments of the opponents of public works, on the other hand, were well marshalled. In principle, it was asserted that public investment – using money obtained through taxation or borrowing – would simply replace the investment that would otherwise have taken place had the money remained in private hands and, worse, would not benefit from the magic of the market mechanism to make sure that the money was invested in the most economically effective way. In practice, it was argued that work schemes could not be produced out of a hat – it took time to plan them – and that in any case, once planned the works would rarely coincide with either periods or areas of high unemployment.

Between the end of the first world war and the 1923 election successive governments maintained an uneasy compromise: limited works schemes were sanctioned, primarily via an Unemployment Grants Committee and the road fund, while their scope was kept within strictly defined limits and their cost was kept low. By the summer of 1923 the UGC had assisted projects worth a total of £40 million,[5] representing approximately £16 million annually, which on UGC estimates created just 40,000 jobs per year.

2. The Labour party and unemployment

In its propaganda on unemployment the Labour Party concentrated on the right of the unemployed to work, argued that in the long term nationalisation would ensure better use of resources including the full employment of labour, and

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[4] For the historical debate on the manipulation of aggregate demand to reduce unemployment see, for example, Moggridge, cited in Aldcroft, *British Economy: Volume I*, p 32 (pro Keynes); Booth and Glynn, "An administrative experiment in unemployment policy in the 1930s" (anti Keynes); and Garside, WR Garside, *British Unemployment 1919-1939: a study in public policy* (Cambridge: Cambridge University Press, 1990), p 27 (compromise view).

[5] Garside, *British Unemployment*, p 303.

proposed in the short term that the unemployed should be offered work. Both before and after the war it introduced to Parliament a Prevention of Unemployment Bill by which public works would be planned during economic good times and put into operation during periods of unemployment. Philip Snowden wrote in 1921 that unemployment was "the pressing question of our time ... it must be faced with a determination to spend whatever sums, however large, may be necessary to remove the scandal from our society of a class of human beings industrially and individually superfluous."[6] But for Snowden this flight of fancy was at all times subject to a more important consideration: that "sound finance is the basis of national and commercial prosperity."[7] Labour's supporters thought that the party was promising major projects to provide work for the unemployed. Leaders such as Snowden and MacDonald thought that works might have some role to play, and were happy to propagandise to that effect, but were clear in their own minds that works programmes must not be allowed to unbalance the books. In his first speech to Parliament after his return following the 1922 election, Snowden insisted on "the expenditure of money only on immediately or prospectively remunerative schemes."[8]

The party's obfuscation on works continued in Labour's 1923 election manifesto. The manifesto skated over the question of benefits with a promise of "adequate maintenance for those who cannot obtain employment", and devoted two paragraphs to a "Labour Programme of National Work", including a national electricity grid; road, rail and canal development; land drainage; and housing schemes.[9] The party's leaders glossed over the fact that, far from there being a "Labour Programme", the party's works plans were no more detailed than the 135 words devoted to unemployment in the manifesto.

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[6] Snowden, Philip Snowden, *Labour and the New World* (London: Cassell, 1921).
[7] Snowden, *Labour and National Finance.*
[8] Snowden, *Autobiography: Volume 2*, p 579.
[9] Labour's Appeal to the Nation, 1923.

3. The Ministry of Labour

Section 3 of the previous chapter detailed the economically orthodox ethos of the Treasury and the Board of Trade. By way of mild contrast, in the immediate aftermath of the war the Ministry of Labour tended to a slightly more interventionist approach to the economy. It was one of the new ministries created during the war, with responsibility for labour and unemployment, and its first two ministers were Labourites. However, the Ministry was soon put onto the defensive by the 1921 Geddes Committee on public expenditure, which recommended the Ministry's abolition. The Ministry survived, but the Treasury did insist on the downgrading of the intelligence and statistics division. This made it more difficult for the Ministry to formulate policy underpinned by research independent of the Treasury.[10]

By 1924, with the major regeneration programmes initiated by the Coalition Government fading into memory, the Ministry was taking on a more conservative character. The former Ministry of Labour civil servant CWK Macmullan, writing in his memoirs in 1952 under the pen-name Munro, indicated his skepticism of the efficacy of state intervention, arguing that Labour's abortive attempts to deal with unemployment were probably "the clearest case of the government being expected to solve all ills, even if they were of a kind that it was not within the power of any government to solve."[11] From 1921 to 1930 the Permanent Secretary was Horace Wilson, a consistent advocate of economically orthodox policies.

One might have expected the Ministry of Labour to be central to the ambitions of the first Labour Government, but Labour leaders accepted the prevailing view of it as a second-rank Ministry. Sidney Webb actually refused MacDonald's offer to become Labour's first Minister of Labour, believing it to be beneath his dignity and rank in the Labour movement. The post fell instead to the trade unionist Tom Shaw.

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[10] Lowe, *Adjusting to Democracy*, p 55.
[11] Munro, *Fountains*, p 184.

4. Unemployment benefits

The Labour Government moved swiftly to abolish an anomaly by which 12 weeks of uncovenanted benefit was followed by a three week 'gap' before benefit resumed. The Cabinet approved the change on 8 February, a short bill was introduced on 18 February and passed into law three days later.[12]

Tom Shaw also took administrative action to remove various minor restrictions on the grant of uncovenanted benefit, for example to single men living with relatives. Snowden, still sore from Wheatley's decision to rescind the Mond Order (chapter 2), opposed this on the ground that uncovenanted benefit was to all intents "a free gift" and that economies ought to be found wherever possible, but unusually the Cabinet overruled Snowden and the Treasury, and Shaw got his way.[13] The Government did not, however, simply seek to liberalise benefit conditions at every turn. At the same time that Shaw removed restrictions on uncovenanted benefit, he instructed the Ministry of Labour to pay "strict attention to the requirement ... that uncovenanted benefit is not to be given to a person who is not 'genuinely seeking whole-time employment and unable to obtain it'" on the grounds that "the administration of benefit should not be allowed to fall into disrepute."[14]

At the start of April the Cabinet agreed two more unemployment insurance bills. The first was a short measure which echoed various temporary expedients employed by previous governments to allow the insurance system to continue to pay benefit to the longer-term unemployed in the light of the ongoing 'abnormal' economic conditions. The purpose of this bill, which swiftly received Royal Assent, was to give Parliament sufficient time to consider the Government's more comprehensive Unemployment Insurance (No. 2) Bill.

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[12] Cabinet conclusions 11(24), 8 February 1924. Second reading debate on the Unemployment Insurance Bill is in HC Debates, 18 February 1924, volume 169, col 1381.
[13] Memoranda by Philip Snowden on unemployment insurance, 6 February 1924 (Cabinet paper 76(24) and by Tom Shaw, 7 February 1924 (Cabinet paper 86(24); and Cabinet conclusions 11(24), 8 February 1924.
[14] Memorandum by Tom Shaw on unemployment insurance, 1 February 1924 (Cabinet paper 45(24)).

The main features of the No. 2 bill are set out in the box. The bill did not have an easy passage through Parliament. The Conservatives concentrated their fire on uncovenanted benefit and, ignoring the fact that unemployment had remained over 1 million for half a decade, insisted that the provisions for uncovenanted benefit should be only temporary, and should lapse when the current "abnormal" conditions had passed. If this were not done it would "give direct encouragement to numbers of ne-er do wells to become a continuous parasitic element in our public life."[15] Shaw met this challenge head on, and affirmed that it was indeed the Government's intention that "no decent workman or workwoman out of work shall be unable to draw unemployment pay", to be "given as a statutory right, and not by the volition of any Minister."[16]

Main features of the Unemployment Insurance (No. 2) Bill

- increase benefits (from 15/- per week to 18/- for men; from 12/- to 15/- for women; and from 1/- to 2/- for each child);
- extend the insurance scheme to 14 and 15-year olds when they began work;
- make covenanted benefit available, after a 6-day wait, for half a year, provided the applicant had made at least 30 contributions;
- provide that thereafter uncovenanted benefit would be available without time limit and as of right, not at the discretion of the Minister of Labour, but with more stringent restrictions on eligibility;
- remove the existing benefit disqualification for people thrown out of work because of an industrial dispute which was at their place of work but in which they were not participating.

Source: Cabinet conclusions 24(24), 2 April 1924

There was also criticism from the left wing of the Labour Party, Campbell Stephen and others arguing that the burden of proof should lie on the Ministry of Labour, to prove that an applicant was not genuinely seeking work, rather than on the applicant. This was far from being a wrecking amendment, but it was proposed in typically expansive Clydeside style. At one point George Buchanan claimed that "Ministers are tumbling over each other to get everything for Liberals and Tories, and nothing for us!". Shaw responded that he was "getting a little bit tired of the superior person who thinks that in him and

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[15] Sir Philip Lloyd-Graeme, HC Debates, 20 May 1924, volume 173, col 2059; and Mr Hannon, HC Debates, 9 July 1924, volume 175, col 2287.
[16] Mr Shaw, HC Debates, 9 July 1924, volume 175, col 2299.

him alone virtue resides", appealing to his colleagues to bear in mind that "a Minister is in a difficult position".[17]

Despite these bad-tempered exchanges, the Clydesiders were easily seen off. The real threat to the bill came from the Liberals, who could often count on Conservative support or abstention and the help of a small number of Labour rebels. The first limb of the reform – the increased benefits – survived unscathed, but each of the other four limbs was modified in some way. The 14 and 15 year olds who had begun work were removed from the insurance scheme. The Liberals forced a cut in the waiting period before the start of benefit payments from 6 to 3 days, significantly increasing the cost of the overall reform package, and limited to 2 years the period during which uncovenanted benefit would be given as of right rather than at Ministerial discretion. Finally, the industrial dispute disqualification was reinserted into the bill by the Lords, though it was narrowed down to apply only to a worker who belonged to a grade or class of workers which was "participating in or financing" a dispute.[18]

Ironically, given the Commons' decision to reduce the waiting period for covenanted benefit from 6 to 3 days, the Government's original proposals were criticised for making it likely that the unemployment fund would go further into debt, but even the independent Government actuary thought – inaccurately it turned out – that the package of changes would simply delay the time at which the fund would return to the black.[19]

In 1924 the deficit was coming down, from a high of over £17 million in March 1923 to just over £5 million in December 1924. But even though the deficit was falling, the way in which it was financed was controversial. The unemployment fund's deficit was made good by Treasury loans, on which the fund was

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[17] HC Debates, 9 July 1924, volume 175, cols 2319 to 2419.
[18] Cabinet conclusions 40(24), 9 July 1924; Report of the Ministry of Labour for 1923 and 1924 (Cm 2481).
[19] The Government actuary's report dated 5 April 1924, forming part of Cabinet Paper 240(24), even criticised the Government's unemployment predictions of 1 million for the next few years, falling thereafter to 800,000 for being "unduly pessimistic"! The report was written before the waiting period was cut from 6 to 3 days.

charged a commercial rate of interest (in 1924 this was 5% or 4⅞%). Some Labour MPs thought this unfair, and in private Shaw agreed with them. In July he complained to Snowden that the rates "appear to me to have a Shylockian flavour which is little in accord with my view of what a Christian Treasury should be."[20] Niemeyer drafted Snowden's response, defending the rate of interest charged on the grounds that it was a fair rate for long-term loans, and it was not fair for the Post Office, from whom the money was obtained, to subsidise the fund. Despite this straight bat answer, Niemeyer did enquire of the National Debt Office whether the rate could be reduced. The Office replied that it might be possible to shave off an eighth of a percent, but not on any logical grounds, and noted "how dangerous it is to go on any but strict business principles in making loans to the Unemployment Fund."[21] No change was made to the rate.

The real problem was not the way in which the fund's deficit was financed. It was that the unemployment insurance system could cope on a self-financing basis with short-term, cyclical unemployment, but not with long-term structural unemployment in which large numbers of people needed benefit for long periods of time. In 1924 few if any had come to recognise the unpalatable truth that an unemployment rate of around 1 million was not abnormally high given the country's economic situation. As Pat Thane has commented, "the mass regionally concentrated unemployment of the inter-war years was so different from anything" seen before "that Labour, and indeed everyone else, had difficulty in developing an alternative" policy.[22] Even if the truth had been recognised in 1924, there was strong political pressure to maintain the fiction that the unemployed were being supported by a self-financing scheme to which the unemployed themselves had contributed, and not from general local or national taxation (particularly through the poor law). The first Labour Government was central to the process of ensuring that uncovenanted benefit would remain a permanent feature of the political landscape, effectively ensuring the death of the insurance system. Even though the 1924-29 Conservative Government moved quickly to restore theoretical Ministerial

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[20] Shaw to Snowden, 5 July 1924 (TNA T/172/1336).
[21] Exchange of correspondence between Niemeyer and Sir Thomas Heath, 7 and 9 July 1924 (both TNA T/172/1336).
[22] Pat Thane, "Labour and Welfare" in Tanner, Thane and Tiratsoo, *Labour's First Century*, p 91.

discretion over the payment of uncovenanted benefit, there was no attempt to phase out or place time limits on such payments. The second Labour Government accelerated the system's downfall by increasing benefits and relaxing restrictions on eligibility, shortly before the economic crash. In 1932 the fund's deficit reached a ceiling of £115 million, and thereafter the overspending was funded directly by the Exchequer. It was not until 1934 that the insurance principle was restored, the 1934 Unemployment Act separating off a new insurance fund administered by the Unemployment Insurance Statutory Committee from 'unemployment assistance' (the old uncovenanted benefit) administered by the Unemployment Assistance Board.

Overall, in the field of benefits the Government's performance was adequate, and Ministers successfully carried through reforms which their supporters expected while showing through measures like the stricter application of the 'genuinely seeking work' test that they did not intend to lose control of spending.

5. Reducing unemployment

I will now consider Labour's attempts to cut unemployment. Recorded unemployment did actually fall in the first half of 1924: from 1.252 million in January to 1.024 million in July.[23] However, it is unlikely that this reduction owed much to any specific policies pursued by the Government. As I have said, the Government's primary economic policy was to maintain confidence in the economy, and to attempt to revive international trade. MacDonald said on 12 February that "in so far as the Government can influence trade that should be its first point of attack."[24] But this alone was not enough for a Government which had proclaimed in its manifesto:

> The Labour Party has urged the immediate adoption of national schemes of productive work, with adequate maintenance for those who cannot obtain employment to earn a livelihood for themselves and their families. The flow of young workers from the schools must be regulated

[23] This represented a fall even allowing for seasonal variation: unemployment in July 1923 was 1.223 million.
[24] HC Debates, 12 February 1924, volume 172, col 759.

to relieve the pressure on the labour market, and full educational training, with maintenance, must be provided for the young people who are now exposed to the perils and temptations of the streets.

The Labour Programme of National Work includes the establishment of a National System of Electrical Power Supply, the development of Transport by road, rail and canal, and the improvement of national resources by Land Drainage, Reclamation, Afforestation, Town Planning, and Housing Schemes. These not only provide a remedy for present distress, but are also investments for the future.[25]

At its first meeting the Cabinet created a committee on unemployment, but it could only recommend further investigation into a mixed bag of ideas: some mentioned in the manifesto plus others including for example the grant of a loan to build a Kenya-Uganda railway. There was no guiding thread linking the ideas, and little appreciation of how each could be realised.[26]

The Committee also proposed further investigation into increasing the school-leaving age to 16. This was eventually shelved on grounds of cost, though it is likely that the Government would have pursued it given more time and no worsening of the economic situation. Trevelyan did work with receptive local authorities to increase the proportion of 14-16 year olds staying at school, for example by raising from 25% to 45% the maximum permitted number of free places funded by local education authorities at secondary schools; and doubling the number of secondary school places from 10 to 20 per 1000 by permitting all LEAs to build their own schools.[27] This was useful work for the longer term, but the immediate effect on unemployment was limited.

Soon the Committee was reduced to making small piecemeal recommendations, such as the bringing forward of already planned expenditure on army uniforms.[28] Despite what the Government's manifesto had claimed, key Ministers were well aware that there was little prospect of this Government commissioning public works on a scale large enough to make a significant impression on the unemployment figures. Sidney Webb responded to a request

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[25] Labour's Appeal to the Nation, 1923.
[26] "Interim Report of the Committee on Unemployment", February 1924 (Cabinet paper 83(24).
[27] Memorandum on juvenile unemployment by CP Trevelyan, 31 January 1924 (Cabinet paper 66(24)).
[28] Cabinet conclusions 18(24), 5 March 1924; and Cabinet paper 143(24).

from MacDonald to explain exactly how many people were being provided with employment by the various relief schemes that "it would be unwise to give any total of cash or men. It really is impossible to add up the various disparate statements. Moreover, it would invite the question, "What about the other million unemployed?"."[29]

As early as April Robert Horne was castigating the Government for their inaction, saying they had "not a scheme, not an idea".[30] Discontent over the gap between the Government's rhetoric and its actions came to a head on 22 May, when the Commons debated an Opposition motion to reduce Tom Shaw's salary by £100, the traditional means for the House to express its dissatisfaction with a Minister's record.

Shaw defended his record, arguing that "foreign policy is the heart of the question" and that "by a skilful, frank, firm and friendly foreign policy the Prime Minister has restored confidence and raised our prestige in the eyes of the world". Beyond this, he recited a list of the Government's work-creating measures. The maximum amount of loans to industry which could be guaranteed by the Government under the Trade Facilities Acts had been increased from £50 million to £65 million. The export credit scheme had been extended to 1930 and applied to Russia. The unemployment grants committee had been given a little more money to distribute to local authorities. Works were being planned for land drainage, afforestation, docks and roads. All of these measures predated the Labour Government. Only a few other items on Shaw's list had a distinctly Labour feel to them: electrification; the construction of a barrage across the Severn; and the proposed housing programme. At the time, all of these were, however, only "under consideration". (And as we saw in chapter 2 on housing, when Wheatley put forward his own housing programme he was careful to make the case for the expenditure on its own merits rather than as a job creation scheme, in order to deflect possible Treasury criticisms about 'unprofitable' expenditure.) In any case, any works schemes were subsidiary to the central goal of increasing international trade, and would have

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[29] Memorandum by Sidney Webb, 11 February 1924 (Cabinet paper 67(24)).
[30] HC Debates, 29 April 1924, volume 172, col 1613.

to be "wise and add definitely to the wealth of the nation" in order to be approved.[31]

In truth the Government was scratching around for ideas: at the Cabinet meeting preceding the debate Ministers had debated and approved a supplementary estimate for a loan to Scottish herring fishermen for the purchase of nets.[32] This was hardly the stuff to set the pulses of Labour supporters racing.

William Joynson-Hicks for the Conservatives was scornful, and drew attention to the chasm between the Labour manifesto and their record in office. Less convincingly, he claimed that "all parties are prepared to foot the bill for this unemployment if the Government will only do it"! Bondfield, Shaw's Parliamentary Secretary, wound up the debate with the less than rousing peroration "you cannot get these things moving in a short space of time."[33] The Labour manifesto had contained no such qualifications: after just a few months Labour was finding that it was one thing to make bold promises in opposition, quite another to put them into practice in government. Beatrice Webb recorded in her diary her concerns about the situation in which the Party found itself: "Where I think the Labour leaders have been at fault – and we are among them – is in implying ... that the prevention of unemployment was an easy and rapid task instead of being a difficult and slow business involving many complicated transactions."[34] Shaw and Bondfield were at least on the front line: Jowett, the first Commissioner of Works with a seat in the Cabinet, was almost invisible throughout the life of the Government, and was the only Cabinet Minister to lose his seat in the November 1924 election.

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[31] HC Debates, 22 May 1924, volume 173, cols 2440-2450.
[32] Cabinet conclusions 33(24), 22 May 1924.
[33] HC Debates, 22 May 1924, volume 172, cols 2458 and 2509.
[34] Webb diary 25 May 1924, from MacKenzie (ed), *Letters of Sidney and Beatrice Webb, Volume III – Pilgrimage – 1912-1947.*

A week after the debate on Shaw's salary MacDonald made a fascinating admission to the Commons:

> Until you have been in office, until you have seen those files warning Cabinet Ministers of the dangers of legislation, or that sort of thing, you have not had the experience of trying to carry out what seems to be a simple thing, but which becomes a complex, an exceedingly difficult, and a laborious and almost heartbreaking thing.[35]

But MacDonald also promised renewed efforts to tackle unemployment and appointed a further Cabinet committee, this time under the chairmanship of Snowden. Snowden did manage to inject some urgency into the Government's consideration of relief works, though he was characteristically unwilling to consult the full Cabinet while his proposals were being drawn up.[36] Snowden's committee reported to Cabinet in early July. Its key recommendations concerned electrical development; the standardisation of frequencies, the extension of the transmission network, and the electrification of parts of the railway network.

In a Commons debate on 30 July Snowden put up a more impressive performance than Shaw had managed in May. It was not so much that Snowden promised more than Shaw had done: it was more that Snowden gave the impression of having a coherent policy. Snowden recognised that unemployment was concentrated in the staple industries, and argued that the way to cut unemployment was therefore to cut the costs of production in order to increase exports by the staples. This did not necessarily mean cuts in wages. Taxes might be cut, or transport and power costs could be reduced. It was here that relief works might have a constructive role. In addition to providing a measure of additional temporary employment, transport infrastructure work and electrical development could help British industry better to compete internationally. Snowden stated that the Government intended to spend £18.5 million on road construction and to pursue "intensive development of electricity", warning that the electricity schemes "will be expensive". However, Snowden cautioned, "you are never going to settle the unemployed

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[35] HC Debates, 29 May 1924, volume 174, col 651.
[36] Cabinet 39(24), 2 July 1924.

problem ... by making work."[37] This more purposeful air to unemployment policy was cut short by the fall of the Government a few months later.

Overall, the Government's performance in the field of tackling unemployment was not good, but nor was it so bad as to be accounted an outright failure when the party left office. And the Government could always fall back on the excuse of its minority position in the Commons. This lack of thoughtful criticism obscured some serious difficulties.

First, as we have seen the Government had found it surprisingly difficult to identify suitable works. The Ministers could either have thrown up their hands in dismay, or redoubled their efforts. They tended to the former. Caught up in the day-to-day burdens of administration, the Ministers proved unable to develop a long-term system to prepare works. Two possible exceptions to this lack of foresight were the roads programme, though this was well established by the time Labour took office, and the programme for electrical development, for which the Government could take more credit, and which culminated in the creation in 1926 of a Central Electricity Board which rationalised generation and gave Britain one of the world's most advanced electricity supply systems.[38] But on the whole Labour in office seemed overwhelmed by the task facing it. It was only in 1925 that, safely in Opposition, the party introduced a Prevention of Unemployment Bill, proposing a National Employment and Development Board to prepare public works schemes to be implemented in depressions. This was a useful development in their works policy, and had surely been an obvious option in 1924, but unfortunately for Labour there were no good times around the corner in which such a Board might prepare works schemes to be implemented in bad times.

Second, one of the causes of the Ministers' dismay was that they became less and less certain that public works schemes could make significant inroads into unemployment. In particular, experience of office and close contact with the Treasury had reinforced Snowden's natural caution about public expenditure.

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[37] HC Debates, 30 July 1924, volume 176, cols 2091-2104.
[38] John Stevenson, *British Society 1914-1945* (Harmondsworth: Penguin, 1984), p 109.

Whereas in the past his pronouncements had alternated between extravagant promises about ending unemployment and insistence on financial prudence, Snowden was now more convinced than ever that governments could not directly eliminate unemployment: all they could do was create the optimum conditions for private enterprise to create work. Others, such as Shaw and Bondfield, became lost in a morass of detail and difficulty. There is no evidence that any of the Ministers asked their officials to conduct research into the causes or characteristics of the unemployment with which the country was faced.

Limited works schemes might be politically necessary in order to placate Labour supporters, and good schemes might even assist industry, but in essence they were a smokescreen. Snowden had come to accept the Treasury view that public expenditure was incapable of generating any appreciable additional employment. The Labour leadership was, however, unwilling to communicate this new-found caution in a consistent fashion, the party continued to send out mixed signals and its supporters continued to believe that Labour was committed to large-scale relief works. This was another facet of the dangerous gap that was opening up between the expectations of the party's supporters and the views of its leaders.

6. Supply-side policies

One way of analysing the economy which has received more attention from historians than it did from policymakers in the 1920s is to consider the structure of British industries and the way in which finance was made available to them. Chris Wrigley and DH Aldcroft have drawn attention to the fact that the bonfire of controls soon after the end of the war meant that little came of the Coalition Government's early plans to restructure industries and introduce new methods (such as the use of electricity in factories, which had been championed by the Ministry of Munitions), and that the unions were equally keen to turn back the

clock to familiar times.[39] Inter-war British industry was therefore, they argue, based on units of production which were too small, too reluctant to produce new kinds of goods or to adopt new technologies and new ways of working, and unwilling to seek out new markets for their goods.

Such supply-side analysis implies that the best method of increasing economic activity and, at least in the longer term, reducing unemployment, would have been to assist in the restructuring of British industries and the adoption of more modern techniques. Did the first Labour Government show any interest in such ideas?

With the veteran Fabian Sidney Webb as President of the Board of Trade, it might have been expected that the Government would have shown a keen interest in the application of sound scientific methods and planning to industry. Much could have been done in terms of updating methods of production, and the restructuring of industries, short of outright socialism. But in 1924 Labour and most of the rest of the country still laboured under the delusion that an increase in international trade would shortly restore the economy to health, and so there was little inclination to examine the true strength of British industries in competition with those of other countries.

Labour did take some steps to assist industry, in particular in housing (chapter 2). In addition, the maximum amount of loans to industry which the Government would guarantee under the Trade Facilities Acts of 1920-22 was increased from £50 million to £65 million. These loans could be used for various purposes including amalgamations and investment in new equipment. And as we have seen in the previous section, the relief works of which Snowden was most fond were those which would assist industry in some way, such as electricity generation and the road-building programme, which would help to cut power and transport costs for many firms. In fact, for Snowden the benefits to industry were more convincing reasons for pursuing these schemes than the benefits in terms of employment.

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[39] Chris Wrigley, "The Ministry of Munitions: an Innovatory Department" in Burk (ed), *War and the Transformation of British Government,* p 48; and Aldcroft, *British Economy: Volume I*, p 7.

The extent of Labour's attempts to identify problems in and provide assistance for particular industries should not be overstated. Labour's attention was concentrated on reviving the staple industries by boosting international demand. The evidence does, however, show that the party was aware of the need to help industries to take advantage of any such increase in demand.

7. Conclusions

The first Labour Government's record on unemployment is a study in contrast between the ambitious aims on works in the manifesto, and the prosaic achievements on benefits while in office.

On unemployment benefits the Ministers showed themselves to be generally competent liberalising administrators, but achievements in the reduction of unemployment were scant, almost invisible. Their rhetoric promised dramatic action but the majority of the Ministers became disillusioned about the potential of large-scale works to create jobs. Some innovative works were under development when the Government fell, most notably the electrification programme. This, however, was slow to get off the ground and serves to illustrate Snowden's determination that only works which were definitely useful should be undertaken. (In other words, only works which were justifiable in their own right should be pursued, with the employment benefits being only an ancillary benefit.) The standing of the Ministry of Labour, the lead department on unemployment policy, was not enhanced by Tom Shaw's time as Minister. For most of the inter-war period the Ministry suffered from weak leadership and hostility from the Treasury. Although the Ministry of Labour was supposed to take the lead, responsibility for the various aspects of unemployment policy was actually split across several different departments and Ministers: Shaw was responsible for unemployment benefits while Wheatley and the Ministry of Health oversaw the poor law, from which the unemployed could seek assistance if they were refused unemployment benefit; and responsibility for works was distributed across a number of departments, including the Ministry of Labour, Board of Trade, Office of Works, Ministry of Transport and, of course,

the Treasury. In 1929 Labour recognised this as a problem encountered in their first term of office and appointed a small and, on paper at least, powerful team of Ministers (Thomas, Lansbury, Mosley and Johnston) to oversee unemployment policy.

As in the field of economic and financial policy generally, the first Labour Government served to increase the conservatism of Labour's leaders, in particular Snowden, the dominant force on such policies in both first and second Labour governments. The Treasury's arguments in principle against innovative policies on unemployment, and the Ministers' own experience of practical administrative difficulties combined to increase their skepticism over works programmes. However, the party's minority position in the Commons, and the short term in office, helped to conceal the true situation from the party's supporters. This allowed the leaders, once back in opposition, to continue to advocate large-scale works programmes and fiscal conservatism as if there was nothing inherently incompatible between the two. The fact that matters had not come to a head in 1924 meant that even Labour's leaders, such as MacDonald, seemed to have convinced themselves that the two policies might both be pursued. This lack of intellectual rigour allowed the party to pretend it still possessed sensible economic and anti-unemployment policies, and allowed the leaders to stifle debate on possible alternative courses of action. The split of 1931 can therefore at least in part be traced back to the failure of the party while in Opposition from 1924 to 1929 to seriously evaluate what had happened during the party's first spell in office in 1924.

I have already noted in chapter 3 that alternative unemployment policies were not available fully formed in 1924. Certain alternative ideas were emerging, but they would have represented leaps in the dark and were not fully worked through as realistic policies. In May 1924, for example, Keynes proposed that the government should devote the proceeds of the sinking fund, and any surplus expected in the budget, to promote expenditure on domestic capital

works, rather than continuing to allow money to be invested abroad. He identified housing, roads and electricity transmission as the key areas.[40]

Historians such as Matt Perry have argued that the first Labour Government should have brought forward a large-scale public works programme.[41] But the efficacy of such a programme remains uncertain even to this day. It would certainly have been regarded as a dangerous adventure in 1924. Perhaps the Government could have done more, but I do not think that they could conceivably have adopted a major works scheme. The Government's failure and the later failure of the Labour party from 1924 to 1929 was actually its lack of proper research into possible policies, works schemes among them.

A range of new ideas were developed in the mid-to-late 1920s, from Keynes' own ideas and proto-Keynesian policies such as those outlined in Oswald Mosley's 1925 book *Revolution by Reason*; to the "underconsumption" theory set out by the ILP's JA Hobson in *Socialism in our Time*, again published in 1925. The Keynesian analysis was not fully developed until the 1930s – Keynes' *General Theory* was only published in 1936 – but politicians such as Mosley were already arguing in the 1920s that increasing aggregate demand – through, for example, loan-financed public works – would both eliminate widespread unemployment and boost the economy.

In the later 1920s the Lloyd George-led Liberal Party plumped for major works schemes, with the distinctly "Keynesian" twist that spending the money would boost domestic demand and was therefore a good thing in its own right, while Labour continued to issue propaganda supporting works programmes, while holding to the view that only schemes which were definitely economically useful in themselves, such as electricity generation and road and dock development, should be commissioned. This is not to argue that Labour was necessarily wrong to hold an orthodox financial policy, simply that the party was attempting to hold within itself contradictory messages which would put the party under severe – near-fatal, it turned out – strain in times of economic distress.

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[40] *The Nation*, 24 May 1924 and undated Treasury memorandum in TNA T/171/228.
[41] Perry, *Bread and Work*, p 89.

Chapter 5 - The Services

1. Introduction

This chapter examines the relationship between the Government and the three constituent parts of the country's armed forces: the Royal Navy, the Army and the Royal Air Force. Evidence is revealed of tensions between Labour Ministers on the one hand and their service officials and commanders on the other hand. However, it is also shown that there were tensions between different Labour Ministers; between different elements of the wider Labour party; and even between different officials and military leaders. In the conclusion to the chapter it is suggested that this complex set of relationships can only properly be understood if placed in the broader context of service policies throughout the inter-war period.

Background: the services

Throughout the inter-war period, the army, navy and air force operated as independent units. Each had its own separate organisation, together with a Cabinet minister, its own civil service department, with a Permanent Secretary or Permanent Under-Secretary, and its own military chief: the Chief of the Naval Staff (CNS) for the Royal Navy, the Chief of the Imperial General Staff (CIGS) for the Army, and the Chief of the Air Staff (CAS) for the RAF.

The majority of the service ministers in the inter-war period are most notable for defending the interests of their own service, and not for radical innovation. For example, Leo Amery, the Conservative First Lord of the Admiralty from 1922 to 1924, initiated work on a major naval base in Singapore and secured Cabinet backing for the Admiralty's proposed construction programme. Similarly Samuel

Hoare, Secretary of State for Air from 1922-24 and 1924-29, "acted ... consistently as the mouthpiece" of the Chief of the Air Staff.[1]

From 1919 to 1929 the CAS was Sir Hugh Trenchard, who fought unceasingly to develop the RAF and protect it from the unwanted attentions of the navy and the army. Trenchard completely overshadowed the Permanent Under Secretary at the Air Ministry, Sir Walter Nicholson. The CIGS at the end of the war was Sir Henry Wilson, a flamboyant and controversial figure whose relationships with his political masters were often strained. In 1922 he was succeeded by the Earl of Cavan, who Wilson described as "ignorant, pompous, vain and narrow, but a nice man"![2] The Permanent Under Secretary at the War Office from 1924 to 1939 was Sir Herbert Creedy, a discreet operator who left no papers or memoirs. The CNS from 1919 to 1926 was the formidable Earl Beatty, a dynamic character and an eloquent exponent of the Admiralty's case. The Permanent Secretary to the Admiralty from 1917 to 1936 was Sir Oswyn Murray, who was also a powerful advocate for the navy.

Each service had at its head a council consisting of the ministers, the military chief and senior officers, and the Permanent Under Secretary (the Board of the Admiralty, the Army Council and the Air Council). The members of the Army Council, for example, were the Secretary of State for War, the Parliamentary Secretary and the Financial Secretary (the ministers), the CIGS, the Adjutant-General to the Forces, the Master-General of the Ordnance and the Quartermaster-General (the military chief and senior officers), and the Permanent Under-Secretary at the War Office.

The Committee of Imperial Defence (CID), which had been created in 1908, was supposed to provide a measure of co-ordination between the services. It was suspended at the outbreak of war in 1914, but revived in 1920. The CID was chaired by the Prime Minister – in theory the only person with sufficient

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[1] Stephen Roskill, *Naval Policy Between the Wars, Volume I 1919-1929* (London: Collins, 1968), p 39.
[2] Lord Bramall and W Jackson, *The Chiefs: The Story of the United Kingdom Chiefs of Staff* (London: Brassey's, 1992), p 126.

authority to settle inter-service disputes – and its members included the Cabinet Minister and military chief of each service. The full CID met infrequently, and the organisation operated largely through a network of sub-committees on subjects such as Overseas Defence, Home Defence, and Imperial Communications. Maurice Hankey became Secretary to the CID in 1912, and it was through this post and the intervention of the war that he became the first chief of the Cabinet secretariat in 1916. During the war Hankey was one of the few sources of impartial advice for Ministers, as most other advisers held a brief for one or other of the services. After the war ended Hankey continued to provide advice on defence matters – whether asked for or not – to successive Prime Ministers. And though he was not part of the Foreign Office, Hankey was the British secretary to several international conferences, including the Paris peace conference of 1919, and secretary-general to several others, including the London conference of 1924.

Relations between politicians and the military were often strained during the 1914-1918 war. In 1914, politicians and soldiers agreed that the conduct of the war should be left to the professionals, but as it went on it became clear that the two sides would have to work in partnership. At first, the soldiers resented any interference by politicians, most notably Lloyd George, and the politicians accused the soldiers of undermining them. David French has stated that "there is ample evidence that some officers engaged in a variety of underhand practices to circumvent their political superiors", for example in 1915 Henry Wilson (then a senior army officer) using a Unionist MP serving at GCHQ and the editor of the *Morning Post* to impress on Bonar Law the desirability of conscription and the need to remove Asquith from office.[3] By 1918, however, the civilian Ministers and the professional soldiers had generally forged good working relationships, and the Prime Minster Lloyd George, Wilson (now in charge of the army) and the navy chief Wemyss formed an effective partnership.

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[3] David French, " 'A One-Man Show?' Civil-Military Relations during the First World War", in Paul Smith (ed), *Government and the Armed Forces in Britain* (London: Hambledon, 1996), pp 75-109.

Britain ended the war with the world's strongest navy and air force, and a huge army of 3.5 million men, largely created by conscription.[4] It emerged from the post-war settlement into a world which – European instability apart – was vastly different from that of 1914. Britain's military activities did not end with the armistice: large numbers of British troops were required in Ireland, and were also sent to Russia. Beyond this, there was considerable uncertainty about which countries might in the future threaten Britain, uncertainty which persisted into the 1930s. The navy thought that the greatest threat came from Japan, and prepared accordingly. The RAF organised for a possible conflict against France, and the army was chiefly concerned about the traditional threat of a Russian invasion of India via Afghanistan. In addition, Britain could not ignore the possibility that Germany would seek to regain its pre-eminent position in Europe. To further complicate the situation, Britain emerged from the war with a larger Empire than ever, but the war had in turn helped to bring into question the legitimacy of British rule. As early as 1920 British troops were called into action to quell nationalist revolts in Syria and Mesopotamia.

The over-riding determinant of the post-war Coalition Government's policy towards the Services was not, however, based on its view of Britain's role in the world, but on the need for economy, at first to pay for its ambitious social programmes and subsequently as a function of retrenchment. In August 1919, the War Cabinet adopted the infamous Ten Year Rule, under which the services were instructed to prepare their annual financial estimates on the assumption that there would be no major war for the next ten years, and laid down that the services' main duties would be imperial peace-keeping. The War Cabinet also set targets for the estimates of £60 million for the navy, and £75 million for the army and air force combined (the 1919-20 Estimates had totalled £617 million!).

The effect of the Ten Year Rule has been much debated.[5] At the least, in the early 1920s it contributed to the strong downward pressure on service

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[4] JR Ferris, *The Evolution of British Strategic Policy, 1919*-1926 (London: Macmillan, 1989), p 37.
[5] See, for example, Brian Bond, *British Military Policy between the two World Wars* (Oxford: Clarendon, 1980), p 23 and Ferris, *Evolution of British Strategic Policy*, p 15. An "official", though strongly deprecatory, history of the rule is given in TNA CAB 101/295.

expenditure, which was further reinforced by the Geddes Committee report of 1923. Unsurprisingly, the services fought hard against these proposals to cut them back. In 1923 Sir Oswyn Murray provided Leo Amery, the First Sea Lord, with some notes on the Geddes Report, criticising in some detail "the extent of the Committee's misconception of the character and requirements of the Naval organisation". Extracts of Murray's memorandum found their way into the press on the day that the Geddes Report was published.[6] Despite the services' opposition, the three service estimates for 1923-24 totalled only c. £140 million, close to the target set back in 1919.

To this financial pressure was added the "moral" or "idealist" dimension. There was a strong body of opinion – particularly in the Labour party (page 142) – which held that the war had been made inevitable by the arms race which preceded it. The only way to avoid war, went the theory, was to eliminate or drastically reduce all armaments. The most extreme form of this view was that Britain should set an example by disarming unilaterally. In the early 1920s many politicians professed a moderate version of this idea: that it would be desirable to limit armaments multilaterally by international agreement, and paid at least lip service to the role of the League of Nations in reducing international tensions. In February 1922 the Coalition Government agreed to the Washington Naval Treaty, under which the USA, Great Britain, Japan, France and Italy agreed to limit the tonnage of their capital ships and aircraft carriers to the ratio 5: 5: 3: 1⅔: 1⅔. It proved impossible, however, for these powers to reach agreement on smaller ships such as cruisers; and for the lesser powers to reach any agreement at all. These difficulties help to illustrate how hard it would be for any government to achieve a comprehensive disarmament agreement.

Despite the effect on the navy of the Washington Treaty, it was the army which suffered the most heavily in the post-war cuts. It was to be expected that the conscript army would be rapidly dismantled, and from November 1919 to November 1921 the number of soldiers in the British army was cut from 3.5 million to 370,000. By 1931 the total establishment of the army was only

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[6] Lady Murray, *The Making of a Civil Servant – Sir Oswyn Murray* (London: Methuen, 1940), p 126.

208,000 soldiers.[7] But the army also failed to carve out a distinctive role in imperial peace-keeping duties, which in 1919 had been laid down as the armed forces' main function. Trenchard actively sought and gained for the RAF the lead role in many peace-keeping operations, for example in Somaliland and Iraq. He successfully argued that air power was effective in cowing tribesmen and, even more importantly, that it offered security on the cheap. The army chiefs failed to respond effectively to this challenge, and suffered the indignity of seeing soldiers placed under the command of air officers in Iraq.[8] Trenchard's case was boosted by an early success (from the British point of view) in 1922, when RAF planes quelled disturbances in the Mosul vilayet of Iraq.

This highlights the key problem arising from the separation of the services: it encouraged competition between them for a larger share of the shrinking defence budget, and discouraged constructive co-operation for the fear that functions might be poached by another service. For example, in the early 1920s, there were repeated attempts by the navy to recapture the "Fleet Air Arm" from the RAF. The army sometimes supported these efforts, in the hope of mopping up the remainder of the fledgling air service. Trenchard vigorously resisted all of these proposals. Following one such episode, under the premiership of Andrew Bonar Law in 1922, a Committee was established under Lord Salisbury to examine co-ordination between the three services, "including the question of establishing some co-ordinating authority, whether by a Ministry of Defence or otherwise".[9] This body promptly created another committee under Lord Balfour to examine relations between the navy and the air force. The Balfour Committee recommended a curious compromise under which the RAF would retain control of the Fleet Air Arm, but the cost of it would be borne on the Navy estimates.[10] This was accepted by the Cabinet, though with the First Lord of the Admiralty (Leo Amery), and the Secretary of State for War (Lord Derby) both dissenting! The Admiralty continued to agitate for a more satisfactory

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[7] Bond, *British Military Policy between the two World Wars*, pp 20 and 91.
[8] The dispute and its resolution in favour of the RAF are detailed in TNA files AIR 8/34, 8/57, 19/109, 19/110 and 19/114.
[9] Roskill, *Hankey: Volume 2*, p 336.
[10] Cmd. 1938.

outcome, and leaked information to the press to bolster their case.[11] The issue had not been resolved by the time Labour took office in early 1924.

The task of the main Salisbury Committee was to revisit a proposal which had been made several times in the early 1920s, not least by the Geddes Committee: the creation of a Ministry of Defence or, at least, a Defence Co-ordination Minister of Cabinet rank.[12] It was hoped that this would improve co-ordination and reduce duplication of common services such as supplies and accounting. The services opposed any steps to further integration, and they had a powerful ally in Hankey, who thought that his CID provided the best forum to settle disputes and achieve such co-ordination as was necessary. Hankey prepared a detailed memorandum explaining why the CID should be retained, and invited Viscount Esher – an old friend of the CID – to appear before the Salisbury Committee. He even took the precaution of lunching with Viscount Haldane (a member of the Committee) before the crucial meeting to ensure that Haldane was properly prepared.[13] Unsurprisingly, the Salisbury Committee recommended against the creation of a new Defence Ministry or Minister, Hankey writing afterwards to Haldane: "no-one did more than you ... to knock out the idea of a Ministry of Defence."[14] It did, however, propose the establishment of another CID Committee: the Chiefs of Staff Committee (COSC), which would attempt to resolve inter-service disputes before they had to be put before the full CID. The COSC held its first meeting in July 1923, though the publication of the full Salisbury Committee report was delayed until early 1924 by continuing inter-service wrangles.[15]

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[11] Roskill, *Hankey: Volume 2,* p379. More of the controversy is detailed in TNA ADM 116/3419 and AIR 8/68.
[12] See in particular William Philpott, "The campaign for a unified Ministry of Defence, 1919-1936" in Paul Smith (ed), *Government and the Armed Forces in Britain* (London: Hambledon, 1996), pp 109-55.
[13] Roskill, *Hankey: Volume 2*, p 337.
[14] Hankey to Haldane, 7 August 1923, MS 5916.
[15] Cabinet Paper 27(24).

Background: Labour

In order to understand the attitude of the Labour party towards the services, it is necessary to stray into what would normally be regarded as 'foreign policy', though this subject is addressed in chapters 6 and 7. Before the first world war, the trade union side of the Labour movement was generally little interested in issues of foreign policy. It was left to the socialist societies, and especially propagandists such as MacDonald, to make the running. They expounded ideas which were essentially the same as those of the more radical Liberals: opposition to secret diplomacy, to the alliance system (the Balance of Power), and to armaments programmes. In a Commons debate in December 1911 Arthur Ponsonby, Under-Secretary at the Foreign Office in the 1924 Government but then a Liberal MP, described the Balance of Power policy as "the root of all our difficulties" and attacked secrecy in the conduct of foreign policy, arguing that "informing the people, so that the Executive of the day may be kept in accord and in sympathy with the actual source from which they derive their power ... must come more and more to the front."[16]

Before the war these were fairly mainstream Labour ideas, but when MacDonald continued his attacks after the war began he found himself abandoned by the majority of the Labour party, who in the face of the national emergency swung solidly behind Asquith's Liberal government. As noted in chapter 1, in 1914 MacDonald was forced to resign as Chairman of the party, and for much of the war was a national hate figure.

Undeterred, he was a founder member of the Union of Democratic Control (UDC), created to oppose the way in which the war was being conducted. The aims of the UDC were those of the pre-war radicals: democratic control of foreign policy; reduction of armaments; the creation of an international body to

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[16] HC debates, 14 December 1911, Vol 32 cols 2616 and 2618-9.

arbitrate in disputes between nations; and no territorial changes without plebiscites.[17]

In 1917 MacDonald wrote the pamphlet *National Defence*. In it, he argued that armaments and alliances had failed to prevent the war, and that if Britain were to remain heavily armed it would be necessary to give the military "increased respect in the country and authority in the State". However, pacifism was no guarantee of peace either, as the peace-loving British had not been able to avoid war in 1914. MacDonald was also cautious about whether an armed league of nations could be effective, and feared that it might serve to distract from the central issues: open diplomacy and disarmament.[18] *National Defence* lacked a proper strategy as to how diplomacy might be made more open and disarmament achieved, such as a recognisable first step in policy terms, but MacDonald at this point was not anywhere near power. The suggestion that in 7 years he would be Prime Minister would have been greeted with disbelief, from MacDonald as much as anyone else.

The main body of the Labour party joined the Asquith and Lloyd George coalition governments, but fought the 1918 election independently, its manifesto calling for "a Peace of International Co-operation" and the complete abolition of conscription.[19] As recorded in chapter 1, this did the party no favours during the 'Coupon election' of 1918, but assisted immensely when in the early 1920s public opinion began to turn against the Versailles treaty. The party had from the start opposed reparations and the carving up of Europe, and when MacDonald returned to lead the party in 1922 they gained a spokesman who could genuinely claim to have had no part in the conduct of the war or the post-war peace settlement.

In July 1923 MacDonald initiated a Commons debate on military expenditure and disarmament. His motion deplored "the enormous and growing expenditure

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[17] Andrew Thorpe, *History of the British Labour Party* (London: Macmillan, 1997), p 42. The UDC is considered in greater detail in chapter 6.
[18] Keith Robbins, *Politicians, Diplomacy and War in Modern British History* (London: Hambledon, 1994), p 248; Marquand, *Ramsay MacDonald*, pp 203-206.

on the naval and air forces and on other military preparations which is beginning once more a competition in armaments and is depleting resources that should be available for expenditure on education, public health, and similar social and human services". In a powerful speech, MacDonald proposed revision of the Treaty of Versailles; the establishment of a judicial court at the League of Nations to which nations could bring their grievances; a mutual guarantee between nations to aid each other against aggressors; and, above all, disarmament by international agreement. "It may be a long process" he stated, "but it should be a continuous process". The bed-rock of all of this had to be an enlightened public opinion.[20]

Labour's 1923 election manifesto stated that the party stood for "a policy of International Co-operation through a strengthened and enlarged League of Nations"; the settlement of disputes through conciliation and arbitration; and revision of the Versailles treaty. "This will pave the way for Disarmament, the only security for the nations". This precise drafting should have alerted all Labour supporters not to expect immediate and large cuts in armaments, but unsurprisingly expectations of the new Government ran high, perhaps exacerbated by the scare stories run by elements of the right-wing press. For its part the Conservative manifesto promised to accelerate the programme of light cruiser construction in order to ameliorate unemployment.[21]

As explained in chapter 1, MacDonald went to great lengths to secure the services of Viscount Haldane, the ex-Liberal elder statesman who as secretary of state at the War Office from 1906 to 1912 had overhauled the army and ensured it was in a reasonable state of readiness on the outbreak of war in 1914.[22] In December 1923 MacDonald offered Haldane his choice of the Lord Chancellorship, leadership of the Lords, defence and education. Haldane became Lord Chancellor, Leader of the Lords, and Chairman of the Committee

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[19] Labour Party election Manifesto, 1918.
[20] HC Debates, 23 July 1923, Vol 167 Cols 75-87.
[21] Labour's Appeal to the Nation, 1923; and Mr Stanley Baldwin's election address – the Conservative Manifesto, 1923.
[22] John Gooch, "Haldane and the National Army" in Ian Beckett and John Gooch (eds), *Politicians and Defence* (Manchester: Manchester University Press, 1981), pp 69-86.

of Imperial Defence, which did not interest MacDonald greatly and which in any case he would usually be too busy to attend.[23] MacDonald also consulted Haldane about other possible appointments, and it was only with Haldane's assistance that Viscount Chelmsford agreed to become First Lord of the Admiralty.[24]

At first relations between Haldane and MacDonald were excellent, Haldane writing to his sister on 15 January "My relations with Ramsay are wonderful. I think he has opened the whole of his mind to me". But as early as April Haldane had changed his tune, noting that MacDonald was "too fond of great dinner parties" and lamenting his "failure to see his Ministers and permanent officials."[25]

Haldane's appointment raised a few eyebrows, but he did, at least, have solid links with the Labour movement (in 1895 he had been one of the co-founders, along with the Webbs, of the London School of Economics), and had publicly supported the party at the 1922 and 1923 elections. Chelmsford was a life-long Conservative, though as governor of Queensland and New South Wales and then Viceroy of India he had been away from domestic politics for 19 years. Nor was he an expert on naval matters, as he admitted to the *Daily Herald* shortly after his appointment.[26] MacDonald was concerned to find someone with sufficient stature to stand up to the Sea Lords, but the appointment was not an entirely happy one. While in the Government Chelmsford generally confined himself to naval matters, though he did occasionally speak on India in the House of Lords.

Brigadier-General Christopher Birdwood Thomson was sent to the House of Lords as Lord Thomson, and became Secretary of State for Air. MacDonald spent the 1923-24 Christmas holiday at Lossiemouth in Scotland, in touch with few senior figures in the Labour movement (except by letter), but finding the

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[23] Haldane, *Autobiography*, pp 320-324.
[24] Viscount Chelmsford to Haldane, 13 January 1924 (NLS MS 5916), and MacDonald diary, 28 April 1924.
[25] Haldane to Elizabeth Haldane, 15 January, 7 and 10 April, 1924, NLS MS 6013.

time to visit Haldane and play golf with Thomson. Both Snowden and Henderson thought that he should have spent more time in contact with themselves and the other Labour leaders.[27] Thomson did, however, have a good, if short, Labour pedigree. He had left the army after the war and stood as a Labour candidate for Parliament in 1919, 1922 and 1923. A clear and vigorous speaker, he was a useful Minister and good spokesman for the government in the Lords.

The veteran trade unionist Stephen Walsh was made Secretary of State for War. He had gained some experience of government as a parliamentary private secretary to the Ministry of National Service and the Local Government Board in the war-time governments, but it was reported that Walsh was "entirely unable to conceal his reverence for generals"; and a story circulated in 1924 that on meeting them he said: "I know my place. You have commanded Armies in the field when I was nothing but a private in the ranks."[28] The story itself is improbable, but illustrates the feeling that Walsh failed to provide dynamic leadership at the War Office. Among the junior ministers were Charles Ammon and Frank Hodges at the Admiralty; Clement Attlee at the War Office; and William Leach, an ILP pacifist, at the Air Ministry.

2. Royal Navy

On taking office, the three major issues facing Viscount Chelmsford and the new Government were the completion of work on the Navy Estimates for 1924-25; whether to proceed with the ship-building programme recently announced by the late Conservative Government; and whether to continue work on the proposed new naval base at Singapore.

The idea to extend significantly the limited naval facilities at Singapore arose out of post-war strategic planning by the Royal Navy. The Sea Lords thought that the navy needed somewhere to dock and refit their largest ships for operations

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[26] *Daily Herald*, 24 January 1924.
[27] Snowden, *Autobiography: Volume 2*, pp 596-8.

in the Pacific against Japan or, less likely, the USA. Singapore's location and deep-water harbours made it ideal for the job. The Navy convinced the then First Lord, Walter Long, that the new base was necessary, and in June 1921 the Cabinet agreed in principle to the scheme, against the opposition of the Treasury which argued that the country could not afford the base and "found it incredible that the services should be planning to go to war with an ally."[29] The Cabinet were stiffened in their resolve by the imminence of an Imperial Conference: the announcement that a new base was to be built at Singapore would help to prove that the mother country was still capable of protecting her self-governing dominions. The Government hoped that the development of Singapore would prevent the dominions from looking to the USA for protection against Japan, and encourage them to support Britain in the forthcoming naval disarmament negotiations.[30] It was not until February 1923 that the Conservative Cabinet – at the strong urging of the new First Lord Amery – agreed that work should start, and £160,000 was set aside for preparatory work.[31] The total cost of the scheme was at this stage put at £15.5 million. Baldwin was never a very strong supporter of the scheme, however, expressing concerns over its cost and even in October 1923 asking Amery whether it could be reconsidered in the light of an earthquake in Japan.[32]

Amery was a vigorous champion of the navy in other ways. While the post-war Coalition Government was cutting the overall defence budget, the Admiralty developed a major ten-year ship-building programme, subsequently modified to accommodate the Washington Naval Treaty, at a total cost of £262.5 million.[33] After the 1923 election, during the King's Speech debate on which the Conservative Government was defeated and ejected from office, Amery announced a construction programme including 17 cruisers, together with

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[28] Reported in Lyman, *First Labour Government*, p 106.
[29] David McIntyre, *The Rise and Fall of the Singapore Naval Base, 1919-1942* (London: Macmillan, 1979), p 14.
[30] James Neidpath, *The Singapore Naval Base and the Defence of Britain's Eastern Empire, 1919-1941* (London: Clarendon, 1981), p 56; and Ferris, *Evolution of British Strategic Policy*), p 98. For the Washington Naval Treaty, see Ferris, p 3.
[31] Admiralty Board Minutes 1 February 1923 (TNA ADM 167/67).
[32] Correspondence between Baldwin and Amery, February, March and October 1923 (TNA T 161/800 S.18917/1).
[33] Roskill, *Naval Policy Between the Wars: Volume I*, p 417-8.

various other ships, and stated that 8 cruisers, 3 submarines and 9 other ships would be laid down immediately, adding £5 million to the navy estimates for 1924-25 and providing work for 32,000 men.[34]

As we have seen, the Labour manifesto had promised a policy of international co-operation which would "pave the way for Disarmament". Labour had made no specific promises, but the attitude of Labour Ministers to the service Estimates (presented to Parliament in February or March each year) and in particular to the Singapore Base and the late Government's cruiser programme, were awaited with interest. *The Times* of 4 February prominently figured a letter from a retired Admiral and a statement from the Navy League, both urging the Government to proceed with the Singapore base. The Navy League argued that "expert opinion, after the most careful consideration, has decided that the development of the Singapore base is the only plan which under post-war conditions adequately and economically fulfils the needs for the defence of the Empire and the protection of our trade routes in the East."[35]

The Government had first to decide what its policy would be. The debate on the ship-building programme immediately became a battle of wills between Beatty and Snowden. Beatty's side of the story is recorded in Beatty's letters to his wife. On 9 February he wrote: "the new Chancellor of the Exchequer, Mr Snowden, is a bitter pacifist, and would do away with the Navy altogether if he had half a chance."[36] By 18 February Hankey was able to record in the Cabinet minutes that "the Chancellor of the Exchequer and the First Lord of the Admiralty had agreed generally in regard to the Naval Estimates", but this bland formula could not conceal the fact that the long-term future of the ship-building programme had not been properly settled, and that there was no decision at all about the Singapore base. The Cabinet appointed a committee under Clynes (Lord Privy Seal) to consider these two issues in more detail.[37]

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[34] HC Debates, 21 January 1924, Vol 169 col 607.
[35] *The Times*, 4 February 1924.
[36] Chalmers, *Life and Letters of David, Earl Beatty*, p 397. See also Snowden, *Autobiography: Volume 2*, p 622.
[37] Cabinet conclusions 14(24), 18 February 1924 (TNA CAB 23/47). See also Cross, *Philip Snowden*, p 203.

In the mean time, on 21 February Ammon announced to the Commons that – for now – the ship-building programme would be scaled down. The Government would lay down only 5 of the 8 cruisers proposed by the Conservatives, and only 2 of the other 12 ships. The announcement provoked uproar, with the Labour back-bencher Ernest Thurtle asking whether the construction programme was "to be taken as a great moral gesture to the world". The Liberal MP George Lambert called the decision a "bribe" to the ship-building constituencies and "political debauchery". However, a Liberal censure motion was defeated by a large margin, with the support of the Conservatives and the defection of only one Labour MP.[38] On the other side of the argument, there was also pressure for the restoration of the full Conservative programme, and not just from Conservatives. Shortly after the announcement, Chelmsford received a deputation from Sheffield manufacturers and trade unionists, who urged him to lay down all 8 cruisers in the coming year, to help cut unemployment in the Sheffield steel industry.[39]

This suggests that the new Government had managed to exert its will over the Admiralty and its powerful First Sea Lord, and had steered a middle course between expansionism and unilateral disarmament. However, although Beatty had fought hard for the full programme under both the Conservative and Labour governments, there is evidence that he was not entirely dissatisfied with what he had convinced the Government to build. Beatty wrote again to his wife shortly after the announcement, exclaiming "who would have thought, a few years or even a few months ago, that we should see an overwhelming majority of the House support the proposition of a strong Navy?"[40] It was not unusual for the services, and particularly the navy, to exaggerate the extent of its requirements, in the expectation that its requests would be pruned back by its political masters. The following year, the navy put forward Estimates for 1925-26 which were £14 million higher than the previous year, and though over half of this was struck out by the Conservative Cabinet, they still ended up with £60.5

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[38] HC Debates, 21 February 1924, vol 169 cols 1970-1973 and 2114-2159.
[39] *Sheffield Daily Telegraph*, 7 March 1924.

million – a healthy 8.4% increase on 1924-25.[41] The Clynes Committee's deliberations into the long-term future of the construction programme drifted on and had made no progress when the Government fell, a deferral which probably suited both the navy and the Labour Government.

The decision on whether to proceed with Singapore proved much more hard fought. Having so recently secured one Government's approval for the scheme, Beatty viewed repeating the exercise with apprehension, predicting of Singapore that "that infernal place's name will be engraved on my heart", though he wasted no time in confirming the continued backing of the COSC for the Base.[42] Clynes' committee considered the base at meetings on 27 February and 3 and 5 March. Given his partial success over the cruisers, Beatty had good reasons for being confident about securing the Government's approval for the base. The Secretary of the Committee was Hankey, and before it had even met he circulated a detailed memorandum setting out the arguments in favour of the base. On the financial side of things the vast majority of the expenditure would fall due in several years' time, and would thus not be expected unduly to trouble Snowden. However, Beatty reckoned without the tactical acumen of the Prime Minister and the strength of Treasury opposition. At the first meeting Beatty was allowed to lecture the Ministers on naval policy, and the reasons why the base was necessary. At the second meeting, MacDonald said that he accepted *in their entirety* Beatty's claims about the naval imperatives for the base, but told him that the Government were committed to taking a wider view of the international situation than the purely naval, and that proceeding with the base now would inevitably harm their strategy of seeking international security through the League of Nations, and mutual disarmament. MacDonald was supported by Snowden, who had been well briefed by the Treasury civil servant George Barstow. In one of his memoranda to Snowden, Barstow plunged into the strategic arguments, asserting that the scenario of Japan attacking Australia, New Zealand and India read like "a lunatic's nightmare". The base

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[40] Chalmers, *Life and Letters of David, Earl Beatty*, 23 February 1924.
[41] Philip Williamson (ed), *The Modernisation of Conservative Politics – the diaries and letters of William Bridgeman, 1904-1935* (London: Historians' Press, 1988), pp 179-80.

would be inconsistent with the spirit of the Washington Treaty and would inflame Japanese opinion. The navy had to recognise that it was impossible to be invulnerable always and everywhere. Barstow wrote another briefing note after being shown the Minutes of the Clynes Committee's first meeting, which provided counter-arguments to Beatty's claims and stated bluntly that "Lord Beatty is under a complete delusion."[43] Snowden used the material well in probing Beatty's case at the 3 March meeting. Beatty had been comprehensively out-manoeuvred and on 5 March the Clynes committee recommended that the base should not be proceeded with.[44] The Cabinet met and agreed with the recommendation later that day.

On 4 March, the day before this decision, a Leader entitled "Singapore – a necessary base" had appeared in *The Times*. Mixed in with the arguments for the base were reports of the successful actions against British shipping in the Pacific in the war, and detailed figures on the value of British trade in the Pacific. MacDonald was furious. Just a week earlier, he had fired a shot across the bows of Chelmsford and the Admiralty by warning against the dangers of leakage of information "in regard to certain naval matters". MacDonald now ordered Chelmsford to find out whether the Admiralty had leaked information *to The Times* and other newspapers in order to pressurise the Cabinet.[45] Chelmsford could hardly deny that a press briefing had been held in the Admiralty on 3 March, but he claimed that it had been organised at the request of the press and that "there was never any suggestion of giving a lecture on Singapore". With astonishing chutzpah, he concluded that the appearance of the newspaper article on 4 March was "nothing more than a coincidence."[46] Chelmsford's actions aroused the anger of the wider Labour movement, the *Daily Herald* commenting: "the First Lord of the Admiralty should at once stop this kind of propaganda."[47]

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[42] Beatty to wife, 23 January 1924, in Chalmers, *Life and Letters of David, Earl Beatty*, p 39; and Minutes of COSC meeting on 31 January 1924 (TNA CAB 53/1).
[43] Barstow to Snowden, 21 February 1924 and 1 March 1924 (TNA T 161/800 S.18917/2).
[44] Minutes and memoranda of the Clynes Committee (TNA CAB 27/336).
[45] Cabinet conclusions 17(24), 28 February 1924 and Cabinet conclusions 18(24), 5 March 1924.
[46] Memorandum by Viscount Chelmsford, 7 March 1924 (Cabinet paper 162(24)).

Opposition to the Government's decision did not come solely from outside the Cabinet organisation: Hankey urged MacDonald to think again, even to the extent of inviting a sympathetic Colonial Office civil servant in to see MacDonald and emphasize that the Dominions supported the building of the base as a useful bulwark against Japanese expansionism.[48] But MacDonald held firm and a week later Hankey accepted the decision as a *fait accompli*. He then argued that the Government's statement to Parliament should make clear the views of the Dominions.[49] MacDonald acceded to this request, but Hankey could do nothing about the gloss put on the situation by MacDonald in the Commons on 18 March, when he claimed "a large measure of sympathy in the Dominions with our International policy; even if all parts of the Empire do not feel able to endorse the methods by which we consider that policy should be carried out."[50]

The Sea Lords also insisted that MacDonald make clear that they disagreed with the Government's decision. MacDonald made a good fist of turning this unpleasant chore into a virtue in his speech, stating that the Government had "the fullest confidence in their Admiralty advisers", but that this was "a larger question" than simply a naval one, and could not be resolved simply by reference to naval considerations.[51] The Conservatives condemned the decision, but it was backed by the overwhelming majority of the Liberal Party and so the Government was safe from defeat over the issue in the House of Commons.

The Government did not shut down all work on the base. With MacDonald's approval, the CID permitted its Overseas Defence Committee to complete its studies of the base's defences.[52] This was not all: for the army, Colonel Archibald Wavell wrote to a colleague that "we propose to carry on with all our defence investigations", and Sir Lawrence Guillemard (Governor of the Straits Settlements) wrote in his memoirs that the colonial administration simply

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[47] *Daily Herald*, 5 March 1924.
[48] Roskill, *Hankey: Volume 2* (1972), p 361.
[49] Hankey to MacDonald, 13 March 1924 (TNA 30/69/48).
[50] HC Debates, 18 March 1924, Vol 171 col 316. The views of the Dominions were printed in Cmd. 2083.
[51] HC Debates, 18 March 1924, Vol 171 col 316.

ignored the Labour Government's new policy and continued with the site drainage work.[53]

MacDonald's announcement about the Singapore base had been made during the debate on the Navy Estimates for 1924-25, and it is to these that I now turn. In the latter part of 1923 each navy department drew up sketch estimates outlining their likely spending requirements for April 1924 to April 1925. These totalled £60.3 million, an increase of around 4% on the previous year's Estimates. The Admiralty Board, partly at their own initiative and partly at Amery's request, reduced this figure to £57.3 million (a modest reduction on the previous year), although, after all this cutting, on 18 January 1924 Amery informed the Sea Lords that an extra £5 million would be added for the special unemployment programme of shipbuilding referred to in the King's Speech! The Conservatives were, of course, ejected from office at the conclusion of the debate on this speech, and at the first Board meeting under Labour Viscount Chelmsford reported that the Chancellor proposed to limit the total Navy Estimates to £54 million, including any construction programmes. A fight was inevitable, and Chelmsford loyally supported the Sea Lords against the Treasury. Despite initial misgivings about Chelmsford's appointment, Beatty recorded after one particularly bruising encounter:

> The First Lord supported me nobly, but he is very pessimistic, and has just informed me that he did not see how he could possibly stay on in a Cabinet with the views expressed by Mr Snowden.[54]

Beatty's letters to his wife also reveal his persistent attempts to win over Ammon and Hodges: on 15 February he recorded that both of them were now "seeing reason and are a help". After lengthy and difficult negotiations, it was agreed that the Estimates would be cut back to £55.8 million (including the construction programme).[55]

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[52] McIntyre, *Rise and Fall of the Singapore Naval Base*, p 44.
[53] WO 32/3622; Sir Lawrence Guillemard, *Trivial Fond Records* (London: Methuen, 1937). See also TNA ADM 116/2416.
[54] Beatty to wife, 3 February 1924, in Chalmers, *Life and Letters of David, Earl Beatty.*
[55] Admiralty Board Minutes for 10 and 18 January, 7 and 18 February and 3 March 1924 (TNA ADM 167/69); papers on the Navy Estimates 1924-25 (TNA ADM 181/106).

In announcing the figure to the Commons on 18 March, Ammon claimed that in real terms the Estimates were now lower than they had been in any year since 1903-4: "this is an earnest of the desire of the Government to observe the Washington Agreement and to do all that is possible to reduce armaments". Amery responded for the Conservative party, and criticised the cut in the Estimates, claiming that his party would have increased them in order to fund a proper cruiser construction programme. Lieutenant-Commander Fletcher MP warned that the Estimates showed that "you now have as head of the Government a definite pacifist as Prime Minister". On the other side of the argument several Liberals and some Labour MPs condemned any new shipbuilding at all. The Liberal Hugh Seely moved an amendment condemning the construction of the 5 cruisers as unnecessary and "calculated to increase competition in armaments", which was supported by the Labourite Ben Turner, who said that "I am against every form of armament, whether naval, military, or in the air". Frank Hodges wound up for the Government, denying that the Estimates were too high and arguing that there was a genuine need for the 5 cruisers to be built. Hodges explicitly rejected the claim that "the Government were afraid of the Sea Lords", saying "if they were, would they have been able to come here tonight, as the Prime Minister has told us, in the teeth of the advice of the Sea Lords, as to the strategical value of Singapore, and say that the Government do not propose to proceed with it?". Nor, he added, were the Sea Lords disloyal: "I have never met any criticism, any suspicion of disloyalty on the part of the Sea Lords in relation to the Government". One can only conclude that neither he, nor Ammon who made a similar comment two days later, had read *The Times* on 4 March. Only 114 MPs, most of them Liberals but also including Labour pacifists such as Lansbury and Turner, voted for the amendment, which was comfortably defeated with Conservative support.[56]

The evidence shows that the Government did not pursue a pacifist naval policy, as some of their supporters wished. It is equally clear that this was due to the Ministers themselves, and not to pressure from their civil servants and the navy

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[56] HC Debates, 18 March 1924, Vol 171 cols 275-406; and 20 March 1924, Vol 171 cols 743-805.

chiefs. But Labour did seem to pursue its own distinctive policy. The drawing up of the 1924-25 Estimates indicates that Labour spending was lower than Conservative spending would have been, and the Labour Government cut back the proposed ship-building programme and decided not to proceed with the Singapore naval base. As we have seen, Conservative support for the Singapore base was often stronger in principle – and in Opposition – than in practice. Neidpath has suggested that "Conservative politicians, while convinced of the importance of a base, did not ... see eye to eye with the Admiralty on the question of what to do about it."[57] There should be no doubt, however, that in 1924 the Conservatives would have continued work on the base, and that the Labour policy represented a significant departure.

The navy quite properly made its case to the Labour Ministers for high Estimates, for a shipbuilding programme which respected the limits placed on it by the Washington Naval Treaty, and for the building of the Singapore base. The Government, just as properly, considered these arguments and in some instances over-ruled them. As I have shown, the navy often managed to get what they wanted by presenting an inflated case to begin with, in the expectation that it would be pruned. It is clear that the navy also used improper methods to secure its aims, such as leaking information to sympathetic journalists. There is no evidence on the complicity or otherwise of the three naval ministers in the leakage of information: at most it can be said with certainty that Chelmsford failed to control the Sea Lords. A few months into the Government, MacDonald recorded in his diary that Chelmsford had proven a weak Minister, and that the Admiralty would not be controlled "until a strong genius is found, but where is he?"[58] The Government must have hoped that the cruisers they had agreed to commission were more watertight than the body which had asked for them.

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[57] Neidpath, *Singapore Naval Base*, pp 56-7.
[58] MacDonald diaries, 28 April 1924. He returned to the theme on 26 July.

3. Royal Air Force

In the years following the war the Royal Air Force was allowed to waste. This trend was abruptly reversed in August 1922 when the Coalition Cabinet approved Trenchard's proposal to build a home defence air force of 500 machines over a period of several years. In June 1923, on the recommendation of the Salisbury Committee the Conservative Government increased this target to 600 machines – equal to the existing strength of the strongest air force in striking distance of Britain (France).[59] The first decision facing Thomson and the Government was whether to accept this target or, as in the case of the cruisers, to prune it back. On 6 February at Thomson's urging the Cabinet gave provisional approval for the former course of action. Thomson immediately went public, holding a press conference at the Air Ministry the next day. He impressed *The Times* correspondent with his evident commitment to the RAF, and the newspaper was even more approving when the Air Estimates, issued on 7 March, showed an increase of £2.5 million over the previous year.[60]

It might be expected that these supportive words from the newspaper of the establishment would have evoked strong protests from the anti-armaments wing of the Labour party. However, according to their opponents the pacifists' point of view had already been well expressed by Thomson's own Parliamentary Secretary in the House of Commons (William Leach) during a debate on 19 February initiated by the former Air Minister Sir Samuel Hoare. Hoare had invited the Government to confirm that they would "maintain a Home Defence Air Force of sufficient strength to give adequate protection against air attack by the strongest air force within striking distance of her shores". Leach's clear statement that "There is no change in the policy of the Government for the time being" was ignored in favour of his remarks that "the one thing that was knocked on the head during the war was the doctrine that in order to get peace we must be prepared for war". Warming to his theme, Leach then declared his gospel to be: "if you want peace, you must prepare for peace", and concluded that "the

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[59] TNA Cab 101/295.
[60] *The Times*, 20 February and 8 March 1924. The RAF Estimates for 1924-25 are in Cmd. 2070.

only adequate defence I can see is a changed international atmosphere."[61] Conservative MPs and the Conservative press took this to be an attack on the air force in particular and the armed forces in general, and reacted accordingly.[62] In fact, as the Estimates show, Thomson had already convinced the Cabinet to maintain the expansion policy of its predecessor. When Leach introduced the Estimates to the Commons three weeks later, he said "I find myself, a pacifist, pleading with the chosen representatives of my country to strengthen its Air Force."[63]

At this point it is helpful to examine why the Government chose to increase expenditure on the air force at the same time as reducing spending on the navy and the army. First, the air force was not unpopular with the bulk of the Labour party, in sharp contrast to the navy and (to a lesser degree) the army.[64] Perceptively, Trenchard had been sanguine about the prospect of a Labour government, saying that most of the Labour MPs that he had met were more open-minded than the Conservatives or Liberals about his new service.[65] Trenchard was soon proved right: during Commons debates on the Navy at least two Labour MPs opposed the Government's spending plans on the grounds that more should be spent on the Air Force.[66] Second, and one of the reasons that Labour MPs were sympathetic to the air force, was that it represented a new, *scientific* technology which appealed to the modernising instincts of the party. Third, Snowden was convinced not to oppose the building programme by Barstow.[67] In any case the increase in the Air Estimates was more than off-set by the cuts to the other two services, permitting the Government to claim that it was simply reallocating defence expenditure between the services while reducing the total amount being spent. It was

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[61] HC Debates, 19 February 1924, Vol 169 col 1669.
[62] For example, HC Debates, 19 February 1924, Vol 169 col 1674; and *The Times*, 20 February 1924.
[63] HC Debates, 11 March 1924, Vol 170 col 2177.
[64] See, for example, *Daily Herald*, 8 March 1924.
[65] HM Hyde, *British Air Policy Between the Wars, 1918-1939* (London: Heinemann, 1976), p 151.
[66] Lieutenant-Commander Kenworthy on 21 February 1924 (HC Debates, Vol 169 col 2114-2159) and Sir Oswald Mosley on 25 March 1924 (HC Debates Vol 171 col 275-406).
[67] Memorandum by Barstow to Snowden, 15 February 1924 (TNA T 161/228 S.23285) and Cabinet conclusions 18 February 1924.

particularly helpful in this respect that planes could be used to police colonies in place of more expensive land forces.

To return to Parliament, no Labour back-benchers argued that the Air Estimates were too high. Conservative MPs who did not trust the pacifist Leach were hamstrung by the fact that the Government intended to continue with the Conservatives' own programme, as Thomson himself had made very clear in the House of Lords on 4 March: "we mean to continue this scheme of expansion ... but our policy is to prepare for peace". He added:

> The common sense of the question is that, for the present, and until general disarmament is possible, the policy of this country should be to make such preparations as will show the world that it does not mean to be caught napping.[68]

Back in the Commons, one MP was reduced to complaining that Leach had not repeated his speech of 19 February in introducing the Estimates.[69]

The general direction of the Government's air policy was, therefore, supported by most; and the hardline opponents of armaments spending were content to concentrate their fire elsewhere.

One policy which did attract controversy was the use of planes to put down unrest in Iraq by bombing settlements, which was fiercely criticised by some Labour MPs inside Parliament and the left-leaning press outside it.[70] Thomson and Jimmy Thomas, who had an interest as Colonial Minister, bore the brunt of the criticism. Both ministers defended the policy to the Cabinet, Thomas having consulted the British High Commissioner and Thomson the Air Officer in Iraq. They asserted that there were strict controls on the use of planes; that they were used only as a last resort; and that the effect of bombing was more symbolic than physical.[71] Despite these reassurances, the controversy rumbled

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[68] HL Debates, 4 March 1924, Vol LVI cols 507-9.
[69] Speech by Mr Penny, HC Debates, 11 March 1924, Vol 170 col 2207.
[70] Andrew Boyle, *Trenchard* (London: Collins, 1962), pp 508-11.
[71] Memorandum by JH Thomas, 7 February 1924 (Cabinet paper 88(24)); and memorandum by Lord Thomson, 2 February 1924 (Cabinet paper 93(24)).

on, and in August Thomson was forced to issue an official statement, repeating the arguments which he had already made in writing to the Cabinet and orally to Parliament. The memorandum bears the mark of Trenchard in that it turns a difficult situation to the RAF's advantage, dwelling at some length on the operational and financial superiority of planes over ground forces.[72]

Another thorny problem, but of a technical rather than a political nature, was that of relations between the navy and the air force, which were supposed to have been settled by the Balfour Committee the previous year. The air force and the navy could not agree how to implement the recommendation that the Fleet Air Arm should remain under the operational control of the RAF but be paid for out of the Navy Estimates, and Thomson and Chelmsford plunged into the fray as though to the manor born.[73] Chelmsford proposed the creation of a Cabinet committee to "interpret" the Balfour conclusions – presumably to the Admiralty's advantage – and Thomson proposed that the original Balfour sub-committee of Balfour, Peel and Weir should be called in to arbitrate. The Cabinet was unimpressed by either suggestion, and instructed Haldane to resolve the dispute.[74] Haldane held discussions with Trenchard, and Sir Roger Keyes for the Admiralty, and instructed them to negotiate directly to settle their differences without any further delay. With Hankey's assistance, and overcoming the initial problem that it was an insult to the RAF's dignity for its chief to have to negotiate with a subordinate Sea Lord, the two sides reached a detailed agreement based on the original recommendation of the Balfour Committee, embodied in a concordat signed by Trenchard and Keyes and ratified by the Cabinet on 15 July. Thomson wrote to Haldane to express his "most grateful thanks ... It has been little short of a miracle."[75] The Cabinet also placed on record "their congratulations to the Lord Chancellor on the happy result of this inquiry."[76]

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[72] Note on the method of employment of the air arm in Iraq, 1 August 1924 (Cmd. 2217).
[73] TNA ADM 116/3419 and TNA AIR/68, particularly Chelmsford to Thomson, 14 February 1924, and Thomson to Chelmsford, 27 February 1924.
[74] Cabinet conclusions 19(24), 12 March 1924; Cabinet papers 161 and 168 (24).
[75] Thomson to Haldane, 16 July 1924, NLS MS 5916.

Of the three services, the Government faced the least opposition to its policy over the air force. The pro-armaments lobby could only be satisfied that the Government was implementing the Conservative party's policy, and those who usually opposed military expenditure were largely silenced by the appeal of the new service and the argument that the increases were taking place against a background of cuts to other defence spending. In this respect, it is particularly interesting to note that Snowden and his Treasury civil servants worked together to identify and ignore the most difficult targets, such as the popular airplane building programme, in order to increase their chances of cutting back other items of defence expenditure, such as new cruisers and the Singapore base. Given this policy background, it is unsurprising that relations between the Government and the RAF and the Air Ministry were good.

4. Army

Stephen Walsh's attitude to office mirrored that of his service: he was the least dynamic of Labour's three armed forces ministers. In introducing the Army Estimates for 1924-25, Walsh claimed that they "had been prepared before I received the seals of office and represent almost wholly the policy of my predecessors". This argument is less than convincing given that the Government managed to make two significant changes to the Navy Estimates (the reduction in the construction programme and the abandonment of work on the Singapore naval base). The net Army Estimates for 1925-26 were £45 million, £7 million lower than the previous year, with around a third of this saving coming from the ending of exceptional war charges. The army itself was cut by 9000 men, from 171,000 to 162,000. Despite these cuts, most of the supporters of the army professed themselves well satisfied. Brigadier-General Roger Makins announced that "we in the Army realise that in the person of the present Minister for War we have a friend on who we can rely and who will not let us

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[76] TNA AIR 8/68; TNA AIR 5/1074; Roskill, *Hankey: Volume 2*, p 336; Hyde, *British Air Policy Between the Wars*, p 160; Cabinet conclusions 41(24), 15 July 1924; and Cabinet Paper 394 (24).

down". The former Secretary of State for War, Sir Laming Worthington-Evans, even questioned whether Walsh had done enough cutting![77]

In contrast, the pacifist wing of the Labour party was furious at the Government's failure to do more to reduce the most visible element of the country's forces: the standing army. On 17 March the Labour MP Walter Ayles moved that the army should be cut by 150,000 men,[78] saying "I believe in complete and final disarmament, even in the midst of an armed world", and arguing that "the nation that is prepared to lay down its arms ... will be the only safe nation". Ayles was supported by a few other Labour MPs, such as Thurtle, Lansbury and Maxton, who argued that "with a Labour Government in office, a very drastic reduction should be made in our expenditure on the armed forces,"[79] Ayles' amendment was defeated by 13 votes to 347, but nevertheless aroused the wrath of *The Times*, which called it a "grotesque proposal".[80]

Despite this heavy defeat, the pacifist wing of the party soon returned to the attack, tabling several amendments to the Army and Air Force (Annual) Bill[81] and forcing the Commons to sit all night to consider them. Thurtle proposed the abolition of the death penalty in army court-martials; Lansbury a new clause giving new recruits an option to decline to "take duty in aid of the civil power in connection with a trade dispute". The Liberal MP Ernest Brown proposed that no soldier should be compelled to attend religious parades or services. Walsh's tactic in the debate was to say that the Government had not had time to reach a decision on any of the proposed reforms, and that they would ask the Army Council to consider each of them. "We can conceive of no body more competent than the Army Council, coupled with the representatives of the other services, to go thoroughly into the whole matter". Thurtle countered that "there could not be found a body less in touch with the people and the rank and file of the army than the Army Council", but to no avail. All of the amendments were defeated, and all except Thurtle's, which attracted significant Liberal support,

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[77] HC Debates, 13 March 1924, Vol 170 cols 2613-2721; Army Estimates 1924-25 (Cmd. 2061).
[78] To 12,000 men!
[79] HC Debates, 17 March 1924, Vol 171 cols 83-195.
[80] *The Times*, 17 March 1924.

heavily.[82] It had only been at Attlee's prompting that Walsh even agreed to remit the proposed reforms to the Army Council, and the fall of the Government before the end of the year helped to ensure that Attlee did not follow up the ideas and the army was not forced seriously to consider reform.

The one definite departure from existing procedure was initiated by Snowden, who in late April asked the Cabinet for a ruling on the practice of selling surplus arms and ammunition to foreign governments. The Cabinet took a robust line, and decided that in future surplus munitions should only be sold to Commonwealth countries.[83] This greatly restricted the options open to the army, which since the war had relied on such sales to generate badly needed income to supplement their shrinking Estimates. In July the War Office complained that the Cabinet's decision was "calculated to have such serious effects on military policy that the Army Council feel it desirable to bring the matter again before the Cabinet, with a view to reconsideration", and asked the Cabinet to relax the policy to permit sales to allied and friendly powers, as well as to the Dominions. Wisely, the War Office did not attempt to define a "friendly power". However, the army lacked the lobbying skills of a Beatty or a Trenchard – or even a Chelmsford or Thomson – and the Cabinet agreed only to establish a Committee on the sale of arms and ammunition, chaired by Parmoor. The Committee quickly endorsed the Cabinet's original decision.[84] MacDonald at the Foreign Office also attempted to clamp down on the illegal manufacture and export of armaments abroad, for example in Austria. On 12 September he wrote to the Austrian Chancellor:

> His Majesty's Government are seriously perturbed by the evidence which they continue to receive both from official and unofficial sources regarding the manufacture of and traffic in war material that is taking

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[81] Until 1955 the Army and Air Force Acts had to be renewed each year by an Act of Parliament.
[82] HC Debates, 2 April 1924, Vol 171 cols 2311-2398.
[83] Snowden, memorandum on the control of sale of arms and ammunition, 3 April 1924 (Cabinet paper 233(24)); and Cabinet conclusions 27(24), 15 April 1924.
[84] Memorandum by the War Office on the disposal of surplus munitions to foreign countries, 14 July 1924 (Cabinet paper 399(24)); Cabinet conclusions 41(24), 15 July 1924; Conclusions of the Standing Committee on the sale of arms and ammunition meeting on 31 July 1924 (Cabinet paper 439(24)).

place in Austria in convention of the military clauses of the Treaty of St Germain.[85]

It is clear that Walsh and the rest of the Labour Ministers sought to avoid controversy over the army. Walsh's tenure at the War Office provides the very definition of MacDonald's aim that Labour were not simply agitators but were "fit to govern". The real fault line over policy lay not between the Government and the War Office, but between the Government and the War Office on the one hand, and a section of the Labour and Liberal parties on the other.

5. Committee of Imperial Defence and defence policy

The advent of the Labour Government caused no great changes in the work of the CID and its sub-committees. Haldane was a good Chairman and an excellent administrator, as shown by his ability to induce the navy and air force to reach agreement over the Fleet Air Arm. Haldane initiated a number of useful administrative reforms, for example over the training of officers, and negotiated a pay cut for new recruits to all services to reflect the fall in the cost of living since the start of the decade.[86] For his part Hankey was well satisfied, writing: "the Labour Government can certainly bear comparison with its predecessors in the work done under this head."[87]

The most interesting issue to come before the CID in 1924 was a proposal to build a tunnel under the Channel. MacDonald was sympathetic, but Haldane, Hankey and the services were against. Perhaps hoping that they would be more open-minded than the service chiefs, MacDonald invited the four surviving former Prime Ministers, Asquith, Baldwin, Balfour and Lloyd George to the CID meeting on 1 July. It was the first CID meeting MacDonald himself had attended since January. The meeting was, for MacDonald, disappointing. Beatty, Cavan

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[85] WN Medlicott, Douglas Dakin and Gill Bennett (eds), *Documents on British Foreign Policy 1919-1939*, 1st series, Volume XXVI (HMSO, London, 1984), p 327.
[86] Haldane's report on the education and training of officers is in Cmd. 2031, and the negotiations on the pay cut are detailed in the Minutes of the Admiralty Board (TNA ADM 167/69); the Army Council (TNA WO 163/30); and the Air Council (TNA AIR 6/15).
[87] Hankey to MacDonald, 12 May 1924 (TNA 30/69/154). See also Haldane to mother, 5 November 1924, NLS MS 6007.

and Trenchard spoke against the proposal, and then Baldwin, Asquith, Lloyd George and Balfour did the same. MacDonald attempted to find some compromise but nothing could be salvaged, and the next day the Cabinet could do nothing but accept the recommendation of the CID that the plans be shelved.[88] In frustration MacDonald wrote in his diary that he was "amazed at the military mind", which was "in a rut where neither fresh air nor new ideas blow."[89] Haldane's public view was non-committal: the CID had "adopted a very conservative view". Privately, he wrote to his mother: "we have turned down the Channel Tunnel. I ... have no doubt that the disadvantages far outweighed the advantages."[90]

Haldane was sometimes frustrated at the lack of serious thinking on strategic policy,[91] but such thinking would have required the active support of the Prime Minister. MacDonald flirted with the idea of a proper review of military aims and commitments, but as seen in his handling of Beatty and the Singapore naval base (page 150), he had no wish to engage in serious consideration of strategic policy. At heart he was far more concerned to use his considerable diplomatic skills to improve the international "atmosphere" and pave the way for disarmament, and Labour's policies towards the services should be seen in the context of this goal, which is examined in the next chapter.

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[88] Minutes of the CID's 186th meeting, 1 July 1924 (TNA 30/69/155); and Cabinet conclusions 39(24), 2 July 1924.
[89] MacDonald diary, 1 July 1924.
[90] Haldane, *Autobiography*, p 327; Haldane to mother, 3 July 1924, NLS MS 6007.
[91] Haldane to Herbert Richmond, 31 August 1924, in Ferris, *Evolution of British Strategic Policy*, p 10.

6. Conclusions

Labour in office did not attempt to implement the radical policies which some of its supporters had espoused before 1924, such as swingeing cuts in the defence budget to give a unilateral example to other countries and to save money for social reforms. But Labour did continue the work of the Coalition and Conservative governments in cutting back expenditure on the services: the total defence estimates for 1924-25 were £115 million, £7 million lower than the previous year. There were also some distinctively 'Labour' decisions during the Government's brief existence, such as the decision to discontinue the development of the Singapore Naval Base, the decision to scale down the cruiser-building programme and the restriction on sales of surplus arms and ammunition to foreign countries.

The Government's military advisers disagreed with some of the decisions made by the Government. There can be nothing wrong in this, but there is clear evidence that they carried their dissent beyond the legitimate channels of making their case to the Government, and then either accepting the Government's decision (and perhaps requesting that the Government make it clear that the decision was made against their advice) or resigning. The clearest example is over the Singapore naval base, where Hankey sought to use his influence from within the Cabinet, and Beatty and the Sea Lords enlisted the press in their fight for the project. And this is not the only example: as late as 3 October 1924 Chelmsford had to apologise to MacDonald for the leakage of a Cabinet decision, explaining it away as the innocent mistake of an Assistant Secretary, and protesting his unswerving loyalty to the Prime Minister.[92]

However, the simple conclusion that the military, and particularly the Admiralty, worked to frustrate the aims of the first Labour Government requires substantial modification, if it is to stand at all. The primary reason that the Government pursued moderate policies was not external pressure from the military, but the belief of MacDonald, Haldane, and the majority of the Ministers that such

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[92] Chelmsford to MacDonald, 3 October 1924 (TNA 30/69/190).

policies were correct in their own right, and would also help to prove that Labour was 'fit to govern'. Although the Ministers must always have had in their minds the fear that radical policies might have provoked public protests and even resignations from the service chiefs, they never showed any inclination to pursue such policies, and once out of office did not voice any criticism of the chiefs' behaviour.

Even to see disputes in terms of "politicians vs. service chiefs" is to over-simplify the complex process of policymaking. As we have seen, disputes were just as likely to be between politicians (eg. Thomson vs. Chelmsford over the Fleet Air Arm), between civil servants (eg. Barstow vs. Murray over Singapore) or between service chiefs (eg. Trenchard vs. Cavan over Iraq), as between politicians and either soldiers or civil servants.

A fine example of this is the dispute over the Singapore naval base's defences, which came to the fore immediately after the Conservatives returned to power at the end of 1924 and instructed that work on the base should be re-started. Trenchard claimed that the fixed gun emplacements proposed by the navy to defend the base from attack were obsolete and should be replaced by planes. He was supported by the Air Minister (Hoare), and Churchill and the Treasury, but opposed bitterly by the Sea Lords, the First Lord of the Admiralty (Bridgeman), the Army Council, the Secretary of State for War (Worthington-Evans) and other members of the Cabinet. The subtext of what seems on the surface to be a minor spat was that if Trenchard could have proven that his planes were more effective against warships than fixed (battleship-type) guns, the entire value of capital warships would have been called into question. The dispute nearly caused the breakdown of the Chiefs of Staff Committee and was only settled in 1932, contributing to the fact that the base was not finished by the time of the Japanese invasion in 1941.[93]

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[93] The guns vs. planes controversy is outlined at length in McIntyre, *Rise and Fall of the Singapore Naval Base*, and Neidpath, *Singapore Naval Base.*

Finally, I return to my first conclusion: that, despite some distinctive innovations the 1924 Labour Government did not pursue radical policies towards the armed services. Just as it has been shown that the Ministry, the services and the civil service were not monolithic entities, it should be emphasised that the policies pursued by the Ministry were frequently criticised more by their own supporters than by their supposed opponents in the Conservative and Liberal parties.

Chapter 6 – European and international security policy

1. Introduction

Foreign policy lay at the heart of the Labour party's 1923 election campaign, and remained a vital issue throughout the life of the 1924 Government. It also represented one of the few areas of policy where Labour was not overly hampered by its lack of a Parliamentary majority. The subject is therefore crucial to the examination of Labour's policies in 1924 and the interplay with permanent officials.

The main events during Labour's term of office are easily summarised. In order to resolve the Ruhr crisis the Government brought together France and Germany at a conference in London in July, at which the payment of reparations was reorganised, provision was made for the French evacuation of the Ruhr and a loan to Germany was agreed. The Government's rejection of a general international Treaty of Mutual Assistance, drafted by the League of Nations Assembly, helped to ensure its collapse, and an alternative Protocol for the Pacific Settlement of International Disputes was agreed at the League's 5th Assembly in September. The Government fell before it had decided whether or not to sign it.

Diplomatic relations with Russia were restored, and after lengthy negotiations general and commercial treaties were agreed (though never ratified). The treaties proved controversial and were the main cause, if not the occasion, of the Government's downfall.

In order to assess the Government's foreign policy in a systematic way, the subject is presented in two separate chapters. This chapter sets the context for the conduct of the first Labour Government's foreign policy, and then examines the Government's European and security policy. The main body of chapter 7 then assesses the Government's policy towards Russia. The final section of chapter 7 brings together the key elements of the Government's foreign policy

as a whole, considering both European and security policy, and policy towards Russia. This final section suggests that the Government's foreign policy was generally highly successful, but that relations between Ministers and officials were, at times, difficult.

From the first world war to the 1923 election

The Labour party was created chiefly to get into Parliament working men who would deal with bread-and-butter issues. It is therefore unsurprising that there was little original about the party's 'foreign policy' pronouncements before the 1914-1918 war. When it was considered at all, foreign policy tended to be the preserve of the socialist societies such as the Independent Labour Party. The criticisms by Labour leaders such as Keir Hardie and Ramsay MacDonald of the alliance system, secret diplomacy and the absence of parliamentary accountability, and the narrow social base of the Foreign Service echoed those of the advanced Liberals in the Liberal Foreign Affairs Group such as CP Trevelyan and Arthur Ponsonby (who was to become a junior Foreign Office Minister in the 1924 Labour Government). The outbreak of war in Europe in 1914 seemed to vindicate many of these criticisms, but cool analysis was largely swept away in the patriotic fervour of August 1914, and the main body of the Labour party soon swung behind the other parties in support of the war.

Opponents of the conduct of the war came together in the Union of Democratic Control (UDC), founded by Ramsay MacDonald, Ponsonby, Trevelyan, Norman Angell, and ED Morel. The majority of UDC leaders were Liberals. Of the UDC's founders only MacDonald was at the time a Labour member, but all of the others later joined the Labour party. Angell later wrote that his UDC days alongside MacDonald brought him "as near to intimacy with him as I ever came ... [but still] I found it extremely difficult to break through the hard shell."[1]

The UDC argued that the war had come about because professional diplomats working behind closed doors had entered into secret agreements with each

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[1] Angell, *After All*, p 238.

other, creating alliances by which countries would come to each other's aid if one country was attacked. The four cardinal policy aims of the UDC were:

- no province to be transferred without a plebiscite;
- no treaty to be agreed without the sanction of Parliament; and the creation of machinery for adequate Parliamentary control of foreign policy;
- British foreign policy to be based not on the alliance system, but on the formation of an international council, whose deliberations and decisions would be public, and which would guarantee an abiding peace;
- disarmament and control of the manufacture of weapons as part of the peace plan.

The UDC came to command increasing respect in the Labour party. In 1917 the party published its *Memorandum on War Aims*, its first major pronouncement on foreign policy. The *Memorandum* denounced secret diplomacy, conscription and imperialism; demanded that foreign policy be placed under the control of democratic legislatures; and advocated the limitation of armaments and controls on their private manufacture. The increased interest in foreign affairs brought about by the war was reflected in the creation by the Labour Party Executive in May 1918 of an Advisory Committee on International Questions (ACIQ) "to consider, report and advise upon International Policy and all questions of an international character, and to watch and advise upon current international developments". The key members included Leonard Woolf, who acted as its secretary, Noel Buxton and Philip Noel-Baker.[2]

Outside the Labour movement, Lloyd George's Coalition Government had little time for the UDC's ideas. At the 1919 Paris Peace Conference Lloyd George, together with the hard-headed French Prime Minister Georges Clemenceau, outmanoeuvred the more idealist American President Woodrow Wilson. One member of the British delegation commented that, if the atmosphere in Paris was not entirely materialistic, "certainly idealism was at a discount."[3] The terms

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[2] Henry Winkler, *Paths not taken: British labour and international policy in the 1920s* (North Carolina: University of North Carolina Press, 1994), p 24.
[3] Viscount Cecil, *All the Way* (London: Hodder and Stoughton, 1949), p 156.

of the Versailles treaty were harsh, requiring the ceding of German territory including Alsace-Lorraine to France; strict controls on the German armed forces; the demilitarisation of land around the Rhine, and Allied military occupation of the Rhine's left bank for fifteen years; and establishing the liability of Germany to pay reparations to the Allies. (In 1921 the Reparations Commission established to determine the size of the bill and how it should be repaid fixed the total at the fantastic sum of 132 billion gold marks. The Commission reserved the right to take action if Germany defaulted on or fell behind with the payments.) The states of Austria, Czechoslovakia and Poland were recognised, and the Covenant of the League of Nations was included in the peace treaty. (The United States signed up to the peace treaty but did not ever join the League of Nations. Russia and Germany also remained outside.)

Despite his antipathy to the UDC aims of open diplomacy, Lloyd George also had scant regard for the Foreign Service. He was the architect of the post-war 'conference system' of diplomacy, explaining to his Foreign Secretary Curzon in December 1919 that "I very much prefer that great questions should be settled between principals, meeting alternately in London, Paris and Italy and that details should be settled by communication between the Foreign Offices."[4] Between January 1920 and December 1922 Lloyd George personally attended 23 international conferences. He also liked to appoint political colleagues, such as Lord Derby (made Ambassador to France in 1918) and Auckland Geddes (made Ambassador to the United States in 1920), to major embassies instead of career diplomats. The Foreign Office was marginalised during the Paris Peace Conference, and while Lloyd George was Prime Minister Curzon and the FO were unable to recover the task of directing British foreign policy.[5] As one official recalled: "It was generally believed in the Foreign Office that Curzon was not in the inner ring of Ministers."[6]

When David Lloyd George was ousted and the Conservatives took power in 1922, Curzon continued as Foreign Secretary, and gained greater freedom of

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[4] From Morgan, *Consensus and Disunity: The Lloyd George Coalition Government*, p 139.
[5] Lord Hardinge, *Old Diplomacy* (London: John Murray, 1947), p 229.
[6] Duff Cooper, *Old Men Forget*, p 113.

action. This did not lead to an improvement in the international situation. In December 1922 the Reparations Commission bowed to French pressure and declared Germany in default on their reparations payments. French and Belgian troops immediately occupied the Ruhr in an attempt to force the resumption of payments. Germany adopted a policy of passive resistance against the occupation, and German inflation began to run out of control.

Curzon did not support the occupation but in the heightened atmosphere of 1923 found himself without influence on events. He attempted to maintain a policy of neutrality, which antagonised the French without earning German gratitude. Eventually, at the initiative of Curzon and the American Government, in November 1923 two committees were established by the Reparations Commission to examine the question of reparations. The more important of the two was chaired by the American Charles Dawes. These two committees were still working when the Labour party took office in January 1924.

Evolution of Labour policy: from Versailles to the Ruhr

At this point it will be helpful to trace the evolution of Labour foreign policy from the end of the war, and to examine its response to the occupation of the Ruhr. From the outset the Labour party opposed the Treaty of Versailles, with its disdain for the principle of self-determination, punitive clauses against Germany and, particularly, reparations. Before the Paris peace conference, Labour intellectuals had been among the strongest supporters of a League of Nations, which they believed should be created by national parliaments and comprise representatives of those parliaments (ie. including representation from opposition parties), with international disputes being settled by a League court. The League which was created in Paris, by the old diplomacy, and excluding Germany and Russia, was bitterly attacked as a betrayal of these ideals. MacDonald called it a "new Holy Alliance".[7]

[7] Winkler, *Paths Not Taken*, p 36.

By 1922, however, some figures in the Labour party were coming to accept both the Treaty of Versailles and the League of Nations as given facts, and to argue that the party should work to improve them, rather than flatly rejecting them. Henderson, for example, argued in his 1922 pamphlet *Labour and Foreign Affairs* that the League of Nations should be supported and used to pursue disarmament agreements. He even argued that the provisions for sanctions against aggressors should be strengthened, so that the League could act to protect states which had disarmed. This was by no means the view of all in the party – Morel, for example, remained strongly anti-League. MacDonald was somewhere between the two camps: in his 1923 pamphlet *The Foreign Policy of the Labour Party* he argued that in the long term the only guarantee of peace was disarmament, but that in the transitional period states would need to maintain adequate forces: "we cannot feel safe if any one power should be able to dominate the Continent". While the League of Nations was important, "Britain must not become the catspaw of the League's devotees and do nothing except through the League."[8]

The increased 'realism' of Labour's foreign policy reflected in part a recognition that the Treaty of Versailles and the League of Nations could simply not be wished out of existence, nor recast simply at the behest of the British Labour party. The party was also seeking to develop constructive policies which would prove popular with the electorate.

The occupation of the Ruhr was a gift for Labour. The French action was unpopular in Britain, and boosted MacDonald and the Labour party's claim that only they could bring a proper peace to Europe. Since the end of the war Labour had been critical of French militarism and sympathetic to defeated Germany; the occupation lent credence to the contention that it was now France which constituted the main threat to peace in Europe. In early 1923 Snowden declared to the Commons that the Treaty of Versailles had been "based upon vengeance, slaughter, and a perpetuation of the victors". The occupation of the Ruhr had created a "grave and dangerous situation", to which the Government's response

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[8] Ramsay MacDonald, *Foreign Policy of the Labour Party* (London: Cecil Palmer, 1923).

had been "weak and contemptible". Later in the same debate, MacDonald argued that "the present state of European uncertainty is having a direct bearing on the economic condition of the people of Europe."[9]

1923 election manifestoes

The Conservatives argued in their 1923 election manifesto that the key problems facing the country were unemployment and under-employment. These were caused in the largest part by the dislocation of trade brought about by "the political and economic disorganisation of Europe consequent on the Great War", and so the Conservatives would "continue to devote every effort through the League of Nations and by every other practical means, to the restoration of a true peace in Europe". This would, however, take some years, and so tariffs would be necessary in the meantime in order to protect home industries and keep out imports.[10]

The Labour party proposed a foreign policy based on:

- international co-operation through a strengthened and enlarged League of Nations;
- the settlement of disputes by conciliation and judicial arbitration;
- the immediate calling by the British Government of an international conference (including Germany on terms of equality) to deal with the revision of the Versailles Treaty, especially reparations and debts;
- the resumption of free economic and diplomatic relations with Russia.

This would "pave the way for Disarmament, the only security for the nations."[11]

The Liberal party published a largely negative manifesto in foreign policy terms, which claimed that the election was only necessary because Conservative foreign policy had failed "disastrously", both in Europe over the Ruhr occupation and in the Near East. The Liberals stood for "the prompt settlement of reparations", and wholehearted support of the League of Nations, including

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[9] HC Debates, 16 February 1923, volume 160, cols 495, 508 and 544.
[10] Mr Stanley Baldwin's election address – the Conservative Manifesto, 1923.
[11] Labour's Appeal to the Nation, 1923.

enlargement of its size and powers. The party would also "welcome the reopening of full relations with Russia."[12]

Leaving aside tariffs, which were not primarily a foreign policy issue, of the three main parties in the 1923 election Labour offered to the electorate the most detailed, concrete, foreign policy proposals.

The Foreign Service

At the start of the twentieth century the two main branches of the permanent staff involved in foreign policy work were the Foreign Office and the Diplomatic Service, known collectively as the Foreign Service. The Diplomatic Service staffed the Embassies and Consulates abroad, and sent to London written despatches about developments in their host countries. The Foreign Office staff analysed the information provided by the diplomats and other sources, co-ordinated their work, and developed policy recommendations for the Foreign Secretary. The nineteenth century had seen a gradual increase in the volume of the work of the Foreign Service. To give an anecdotal example, in 1830 on becoming Foreign Secretary Palmerston responded personally to every despatch addressed to him. In 1846, on taking up the office for the third time, he found that the increased volume of correspondence meant that this was no longer possible.[13]

The first decade of the twentieth century saw a measure of reform, intended to respond to the growing workload, enhance the quality of work for junior staff and improve the quality of economic advice provided by the Office.[14] The importance of these reforms should not, however, be overstated. Sir Francis Oppenheimer wrote of his days as commercial attaché at the Hague during the war that:

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[12] A Call to the Nation - the Liberal Manifesto, 1923.
[13] Rose, "The Making of Cabinet Ministers", in James Alt and Valentine Herman (eds), *Cabinet Studies: A Reader* (London: Macmillan, 1975), p 30.
[14] BJC McKercher, *Esme Howard: a diplomatic biography* (Cambridge: Cambridge University Press, 1989), p 36.

> Those were the days when the rays of the industrial age had not yet penetrated into the tight world of our diplomatic representatives abroad. Prejudice against commercial work was still rampant among our diplomats.[15]

Before the war, the homogeneity of the Foreign Service was buttressed by the selection process for the administrative (senior) grades. The initial requirement, to be nominated by the Foreign Secretary, helped to ensure the existence of a homogenous upper class staff. In 1907 a Board of Selection was introduced to interview those candidates who were so nominated. Candidates who passed the Board were then permitted to take an exam. The Diplomatic Service had two further hoops through which candidates had to jump: there was a property qualification to ensure that all candidates had a sizeable private income, and successful candidates had to work out a three-year unpaid apprenticeship.

In 1914 the MacDonnell Commission on the Civil Service investigated and reported on the Foreign Service. Radical reformers such as Arthur Ponsonby argued to the Commission that recruitment should be by open competition, with no requirement for nomination at any stage, and that the members of the administrative class should be adequately paid from the moment of recruitment, in order to end the discrimination against those without independent means. In answer to a question about the peculiar social qualities required by diplomats, he said:

> Today in very many capitals, high society is rather divorced from government, and these so-called social duties are merely the pleasures of the individual members of the Diplomatic Service ... A man may go out into high society in Paris and have a very good time, without being of the least use diplomatically.[16]

The Commission accepted much of the case put forward by the radicals. In its report the Commission argued that the administrative staff of the Foreign Service were drawn from too narrow a social class, and that its outlook was predominantly political, at the expense of important economic considerations. The Commission recommended the abolition of the nomination requirement, but

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[15] Oppenheimer, *Stranger Within*, p 266.

did insist on the retention of the Board to identify suitable candidates. In support of keeping the Board, the Commission's report argued:

> It is impossible to describe in detail the qualities demanded by the peculiar conditions of the Diplomatic Service, but among them are powers of observation, good address, readiness to take responsibility, and above all the capacity to mix on easy terms with men of all classes.

A minority of the Commission (including JR Clynes) argued unsuccessfully that the Board should not meet until after the written exams had ranked the candidates. The Commission did, however, recommend that diplomatic salaries should be adjusted so that it was actually possible to live off them without having to rely on other means. This would facilitate their next recommendation, the amalgamation of the two services (except at the very highest levels), in order to increase the understanding between the two branches of the Foreign Service.[17]

The report's recommendations were put on hold during the war, though as has been shown the UDC continued vigorously to argue that the Foreign Service staff should be more representative of British society as a whole. As elsewhere in British society, the war turned out to be a major driver for change. Until 1914 the Foreign Office remained a small organisation in which it was possible for everyone to know everyone else. By 1918, this world had vanished. Charles Hardinge, who was Permanent Under Secretary at the Foreign Office from 1906 to 1910 and 1916 to 1920, bemoaned the passing of this world in his nostalgically entitled memoir *Old Diplomacy*: "During the war the work and the staff of the Foreign Office had increased so enormously that it was no longer possible to know individually every member of the Foreign Office and his work, as I used to know them."[18] Between 1914 and 1917 the number of documents handled by the office increased nearly threefold.[19]

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[16] Appendix to the Fifth Report of the Royal Commission on the Civil Service: Evidence (Cd 7749), QQ 39,252, 39,261 and 39,379.
[17] Fifth Report of the Royal Commission on the Civil Service, on the Foreign Office and the Diplomatic and Consular Services (Cd 7748).
[18] Hardinge, *Old Diplomacy*, p 250.
[19] Ephraim Maisel, *The Foreign Office and Foreign Policy, 1919-1926* (Brighton: Sussex Academic Press, 1994), p 24.

After the end of the war, senior Foreign Service officials fought a rearguard action against the Treasury's plans to implement the main points in the MacDonnell Commission's report. They defended the unpaid apprenticeship and property qualification for recruits to the Diplomatic Service, and the fact that salaries thereafter were generally low, arguing that diplomats needed independent means to pay for lavish entertainments in their host country; and that they required a suitable social standing in order properly to represent their country. Similarly, they contended that the Foreign Office selection process ensured the recruitment of men with sufficient intellectual capacity to analyse the complex policy issues with which the country was faced.

This Foreign Service opposition was largely over-ridden, and grades were brought into line with those in the Home Civil Service, and pay with that for Treasury civil servants, together with extra allowances for those serving abroad. The Foreign Office and Diplomatic Service were not fully amalgamated, as the Commission had recommended, but it was agreed that staff should be swapped much more frequently between the two services. The recruitment process was overhauled along the lines recommended by the Commission, with the abolition of the requirement for nomination by the Foreign Secretary, the overhaul of the written examinations and, for the Diplomatic Service, the abolition of the property qualification.

The post-war changes to the Diplomatic Service and the Foreign Office, and particularly the reforms to methods of recruitment, therefore conceded Labour's key demands for reform of the Foreign Service, which were based in large part on the pre-war radical Liberal attacks on aristocratic privilege and secret diplomacy.[20] The limited post-war reforms therefore help to explain Labour's lack of interest in institutional reform of the Foreign Service when Labour came to office in 1924, examined further in chapter 7.

According to the report of the MacDonnell Commission and research by Ephraim Maisel, the educational backgrounds of entrants to the Foreign Service

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[20] As outlined in section 4 of chapter 1.

became slightly more varied as a result of the pre-war and post-war reforms. From 1908 to 1913 (*after* the introduction of the Board of Selection in 1907) 25 of the 37 recruits to the Diplomatic Service came from Eton.[21] From 1919 to 1929, after the post-war reforms, the percentage of Old Etonians amongst new entrants to the Foreign Service overall decreased from 67% to 24%. However, as Maisel has pointed out, still only a handful came from grammar schools.[22] There were 14 different heads of FO departments between 1924 and 1929. Grayson has calculated that of the 12 whose education can be traced, 8 went to Eton, 2 to Harrow, 1 to Radley and 1 to Haileybury.[23] Provided that schooling and university education can be taken as a reasonably reliable indicator of social background during these periods, this shows the Foreign Service to have been significantly less socially mixed than the rest of the civil service. The research by RK Kelsall outlined in chapter 1 found that in 1929 only 23% of all higher civil servants were educated at one of the elite public schools.[24]

Beyond statistics, the upper class, public school, atmosphere of the FO is evoked anecdotally in the memoirs of the people who worked there. Ivone Kirkpatrick joined the Foreign Office in 1918 and recalled "incurring just censure [from Gerald Villiers, his superior] for joining Neville Butler in practising mashie shots against his door whilst he was receiving the Spanish Ambassador."[25]

Given the social background of the senior officials, it is perhaps unsurprising that there is a great deal of evidence which suggests close links between officials and Conservative politicians. William Tyrrell (then Ambassador to France), wrote to Austen Chamberlain shortly after the 1929 election, which resulted in the formation of a second Labour Government that "I cannot tell you how happy I was to see your return but also how depressed I am at the general

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[21] Fifth Report of the Royal Commission on the Civil Service (Cd 7748).
[22] Maisel, *Foreign Office and Foreign Policy*, p 24.
[23] Richard Grayson, *Austen Chamberlain and the commitment to Europe: Britain's foreign policy 1924-29* (London: Frank Cass, 1997), p 15.
[24] More precise definitions of terms are provided in chapter 1.
[25] Kirkpatrick, *Inner Circle*, p 34.

result."[26] Another member of the Foreign Office from 1922 to 1924, Duff Cooper, became a Conservative MP in the 1924 election.[27]

In 1919 the Foreign Office was structurally reformed into 6 political departments: Eastern, Western (including the League of Nations and general matters), Central, Northern, American and Far Eastern. By the start of 1924 the organisation was headed by a Permanent Under Secretary; Eyre Crowe, and three Assistant Under Secretaries; Tyrrell, Victor Wellesley and Hubert Montgomery.

Crowe had joined the Foreign Office in 1885 and had been its Permanent Under-Secretary since 1920. Despite his warnings before 1914 about German militarism, during the war he was attacked in the press because he had been born in Leipzig and his mother was German, and was briefly sidelined. He was soon rehabilitated, despite the enmity of Lloyd George. Crowe was highly regarded by most politicians and colleagues for his outstanding intellectual ability. One junior colleague thought him "probably the most efficient public servant ever produced by the Foreign Office":[28] another wrote that "Crowe and the Foreign Office were one and indivisible."[29]

Of the other officials, as head of the FO's Northern Department JD Gregory played a key and controversial part in the Government's Russian policy, which is considered in chapter 7. Finally, although he was not a member of the Foreign Office, Maurice Hankey was one of the most important of the civil servants engaged in foreign policy. As Cabinet Secretary he had the ear of the Prime Minister, and his network of contacts was second to none, especially, as we have already seen, with the services.

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[26] Carlton, *MacDonald versus Henderson: The Foreign Policy of the Second Labour Government*, p 20.
[27] Duff Cooper, *Old Men Forget*, p 116.
[28] Kirkpatrick, *Inner Circle*, p 32.

The Labour Ministers

On the Labour side the key figure was Ramsay MacDonald, who eventually decided that there was only person whom he could trust to act as his Foreign Secretary. But first, shortly after the election, he told Ponsonby that Jimmy Thomas would be given the job. Thomas was the general secretary of the National Union of Railwaymen and a shrewd, if conservative, operator, but he had shown no marked interest in foreign affairs in either his union work or as an MP since 1910. From MacDonald's point of view Thomas's chief advantages were that he was popular within and outside the party; and that he was close to MacDonald. Ponsonby did not think he was a good choice at all, and had expected that one of the UDC MPs would be given the job. Ponsonby wrote to MacDonald to protest:

> The incredible seems about to happen. We are actually to be allowed by an extraordinary combination of circumstances to have control of the FO and to begin to carry out some of the things we have been urging and preaching for years. To give the job to JHT [Thomas] is simply to chuck the opportunity away.[30]

Whether or not because of the protests of Ponsonby and others, MacDonald soon changed his mind and in all his draft lists of Ministers pencilled himself in as Foreign Secretary. It is possible that MacDonald only floated Thomas' name in order to forestall any possible criticism of him taking the Foreign Office for himself (on the grounds that every one of his old UDC colleagues would prefer him to Thomas), though there is no evidence to support this. Incidentally, interest in the identity of the Foreign Secretary was not confined to Britain: the British Ambassador to Yugoslavia reported to MacDonald on 24 January that the Yugoslav King was anxious to point out that Noel Buxton should not be made Foreign Secretary on account of his pro-Bulgarian views![31]

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[29] JD Gregory, *On the Edge of Diplomacy* (London: Hutchinson, 1928), p 255.
[30] Ponsonby to MacDonald 11 December 1923 (wrongly dated 11 November 1923) in Jones, *Arthur Ponsonby*, p 141.
[31] Medlicott, Dakin and Bennett (eds), *Documents on British Foreign Policy 1919-1939*, 1st series. Volume XXVI (Europe, particularly Germany and central Europe) (London, HMSO, 1984), p 62. (Hereafter referred to as DBFP, volume XXVI.)

Ponsonby was made Parliamentary Under-Secretary. As we have seen Ponsonby moved from the Liberals to Labour via the UDC. He was born in Windsor Castle in 1871, the third son of Queen Victoria's private secretary, and as a child was a Page of Honour to the Queen. He then attended Eton and Oxford and in 1894, at the second attempt, passed the Diplomatic Service exams. In the course of an eight-year career he worked in both the Diplomatic Service and the Foreign Office, before leaving to work for the Liberal party in 1902. Shortly before his departure, he suggested some reform of the Foreign Office, chiefly to provide clerical staff to free up the clerks such as himself to provide better policy advice, but beyond this there was little sign of the radicalism to come. Ponsonby entered the House of Commons in 1908, and moved quickly to the advanced wing of the Liberal party. His major aims in foreign affairs were to secure effective scrutiny of the rising military budget; to create a Commons' Foreign Affairs Committee to improve Parliamentary scrutiny of foreign policy; and to democratise the civil service by opening recruitment procedures, particularly in the Foreign Service. As detailed above, while still a Liberal Ponsonby gave evidence to the pre-war MacDonnell Commission on the Civil Service.

Ponsonby opposed the war from its outset and was a founder member of the UDC. In a 1915 pamphlet *Parliament and Foreign Policy* he reiterated his key themes that the Foreign Service should be made more representative of the nation as a whole, and that there should be greater parliamentary control over foreign policy.[32] After the war Ponsonby worked closed with the ACIQ and developed his views on foreign policy, which were published in the 1921 pamphlet *Control of Foreign Policy, Labour's Programme*. It argued for reforms of Parliamentary and Foreign Office procedure to provide for better disclosure of information; and proposed that all international agreements should require Parliamentary sanction and, as usual, the creation of a Commons Foreign Affairs Committee.

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[32] The pamphlet was later expanded into the book *Democracy and Diplomacy: A Plea for Popular Control of Foreign Policy* (1915).

Ponsonby recorded the strange sensation of returning as a Minister to the office where he had once worked: "It was a curious sensation at first – a few of my contemporaries, Crowe, Tyrrell, Gregory and a few office keepers. There I am in a huge room, private secretary and all with the great difference that I have got a real say in policy."[33] The private secretary in question, Duff Cooper, recorded his own first impressions in his diary: "I was rather late arriving at the office this morning and found that my new master, Arthur Ponsonby, had been there some time before me. Considering his detestable principles, he seems a decent enough fellow"![34]

Another UDC veteran, CP Trevelyan, was made President of the Board of Education. The only significant omission was ED Morel, who was bitterly disappointed at being overlooked. Some of his political friends thought that he had a chance of becoming Foreign Secretary; in the event, after filling most of the vacancies MacDonald was left only with the position of Under-Secretary at the Colonial Office, and Thomas, who had been given the top job there, vetoed Morel.[35] Morel became an increasingly bitter critic of the Government.

The final Ministerial position was given to Lord Parmoor, a former Conservative whose pacifism led him to oppose British participation in the war, and whose transition to Labour had been smoothed by his marriage to Beatrice Webb's sister.[36] Parmoor became Lord President of the Council, with special responsibility for League of Nations affairs, and acted as the Government's foreign policy spokesman in the Lords.

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[33] From Jones, *Arthur Ponsonby*, p 142.
[34] Diary entry for 24 January 1924 in Duff Cooper, *Old Men Forget*, p 123.
[35] from Jones, *Arthur Ponsonby*, p 142; Helena Swanwick, *I Have Been Young* (London: Gollancz. 1935), pp 373-4; Winkler, *Paths Not Taken*, p 125.
[36] Martin Pugh, "Class Traitors: Conservative Recruits to Labour, 1900-1930", *English Historical Review*, 1998, volume 113, pp 38-64.

2. European relations

MacDonald woos France

MacDonald's aims in his European policy were to end the occupation of the Ruhr, which threatened a return to all-out war, and to find a settlement on reparations which was acceptable to both France and Germany. These ambitions were not distinctive to Labour or MacDonald: they had been Curzon's aims, and would have been the aims of anyone who might realistically have conducted British foreign policy at that time. What was distinctive were MacDonald's methods, and his success.

Labour entered office with the reputation of being the pro-German party. MacDonald's first action was therefore astutely designed not to play up to this reputation but to establish and maintain friendly relations with France, a country which was still being demonised by some Labour propagandists as a ruthless military superpower seeking hegemony over mainland Europe. (The *New Statesman*, for example, had recently urged that Britain must not "let France trample on Europe in the name of a fly-blown idol called the *Entente Cordiale.*"[37]) At the end of January MacDonald sent a friendly personal note to the French Prime Minister, Raymond Poincaré. The note expressed the hope that the differences between the two countries could be discussed and resolved in a frank and friendly manner. Poincaré was a hardliner, and the moving force behind the occupation of the Ruhr. However, the occupation had dragged on for a year without bringing any economic benefits for France, and the French Premier was now willing at least to consider other options. He replied in a similarly friendly vein, claiming to be "much touched" by MacDonald's "kind letter". In keeping with the spirit of open diplomacy both letters were made public.[38] A few days later the French Political Director at the Ministry for Foreign Affairs, Peretti, assured a British official that "the French Government have every wish to settle all outstanding questions with Great Britain in a spirit of

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[37] quoted in Lyman, *First Labour Government*, p 158.
[38] *The Times*, 4 February 1924.

friendly compromise."[39] MacDonald maintained the bonhomie by lauding the "instant and hearty co-operation of M Poincaré" in his statement of Government policy on 12 February.[40]

MacDonald's shift in emphasis was not without hiccups. On Saturday 23 February, the Home Secretary Arthur Henderson declared in a public speech that comprehensive revision of the Treaty of Versailles was long overdue.[41] This was no more than a statement of long-standing Labour party policy, but it inflamed French opinion at a time when MacDonald was attempting a rapprochement. It also gave the Conservatives a stick with which to beat MacDonald, and they duly took up the cudgels at in the Commons on 25 and 27 February. MacDonald responded to the taunts of the Conservative MP Ronald McNeill by congratulating him "on making one of the most mischievous speeches, delivered for a purely partisan end, that had ever been made by even an irresponsible Member of this House", and on dragging up an issue that France already regarded as closed. MacDonald's tart words for McNeill did not, however, preclude a rebuke for Henderson. MacDonald concluded that the Home Secretary had thought that he had been entitled to express his personal views, but as he was now a Minister of the Crown "this was of course wrong."[42] MacDonald's less than resounding defence of his colleague was accompanied by a private dressing down which, according to Hugh Dalton, left Henderson still smarting four years later.[43] This incident, though minor in itself, helps to illustrate MacDonald's extreme sensitivity to criticism, and to problems caused by those who he considered should be his supporters. It also reveals one way in which MacDonald thought it proper to use his civil servants: the reprimand was delivered to Henderson by a member of the Foreign Office.

MacDonald also put his officials to more constructive work. Soon after he wrote to Poincaré, MacDonald requested from the FO a memorandum explaining which issues could be submitted to the League of Nations, and which should be

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[39] Phipps to MacDonald, 5 February 1924 (DBFP, volume XXVI, p 530).
[40] HC Debates, 12 February 1924, volume 169, col 771.
[41] Leventhal, *Arthur Henderson*, p 124.
[42] HC Debates, 25 and 27 February 1924, volume 170, cols 45-6 and 605-8.
[43] Hugh Dalton diary 6 February 1928 (from Pimlott (ed), *Political Diary of Hugh Dalton*).

dealt with by other means. In a memorandum dated 6 February Harold Nicolson replied that the question of security could be dealt with by the League of Nations; while reparations, which involved the United States (not a member of the League), should be dealt with in direct negotiations between the interested parties. On the Ruhr question, Nicolson advised that British policy should get away from entangling details, and go back to clear principles: the key point was that the occupation should be brought to an end. MacDonald congratulated Nicolson on his "admirable minute", and asked the FO to obtain from the armed forces advice as to the military effects of French control of the Ruhr. He continued:

> A half-thought out policy ... will bring us to grief and what we finally adopt must be European in the full sense of the word. This requires much consideration and I wish the Office to begin upon it.

The military advice did not prove helpful, as the Air Ministry's argument that French control of the Rhineland did increase British and French military security contradicted the War Office's conclusion that international control of the Rhineland railways would not contribute to French security. However, Nicolson's central ideas that reparations should be discussed in direct negotiations between the interested parties, and that Britain should not be deflected from her key aims by chasing secondary details, chimed perfectly with MacDonald's own views.[44] MacDonald put the next stage of his strategy into action when the expert committees appointed by the Reparation Commission the previous November made their reports.

The Dawes plan

The reports were presented to the Commission on 9 April and immediately forwarded to the Allied and German governments for their consideration. The key committee, chaired by the American General Charles Dawes, had investigated the means of balancing the German government's budget, restoring the stability of the Deutschmark, and resuming the flow of reparations payments.

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[44] Memorandum by Harold Nicolson, 6 February 1924; Memoranda by Air Ministry and War Office to Foreign Office, 18 March and 28 March 1924 respectively (all TNA FO/371/9813).

The committee said that they had adopted a business, rather than a political, outlook, in order to devise a plan which aimed to "produce the maximum of contributions [reparations] consistent with the continued and increasing productivity of Germany". The committee made no mention of the total amount of reparations to be paid, but proposed a reduction in the yearly amount to be paid, and a revision of the methods of payment. In the first year, Germany should pay 1 thousand million gold marks (around £50 million), rising over the next five years to 2.5 thousand million gold marks (around £250 million) in the fifth and subsequent years. It was emphasized that there could be no reparations at all in the first year without a loan to Germany of £40 million. The reparations would come from three sources: German taxes, the sale of bonds in Germany's railways, and industrial debentures. The committee was not asked to comment on the occupation of the Ruhr, but the report carried implied criticism of the French and Belgian action, averring that the appropriate way to supervise the scheme within Germany was "the minimum of interference consistent with proper protection."[45]

The Foreign Office considered that it lacked the financial expertise to advise MacDonald on the viability of the Dawes plan, and sought Treasury advice. On 15 April Otto Niemeyer responded on behalf of the Treasury, and strongly endorsed the report. In his memorandum Niemeyer largely confined himself to economic and financial questions but, characteristically for senior Treasury officials of his generation, felt no qualms about offering broader political advice, concluding: "the report is the only constructive suggestion for escape from the present position which, if left, must inevitably lead to war."[46]

Even before this analysis had been presented, MacDonald had privately informed the Allied governments that he intended to press for the application of the reports.[47] As soon as the reports received the Treasury seal of approval the Government promptly and unequivocally approved them, helping to ensure that by the end of April the Allied governments had all accepted the reports as a

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[45] Report of the First Committee of Experts, 9 April 1924 (Cabinet paper 248(24) and Cmd.2105).
[46] Memorandum by Otto Niemeyer, 15 April 1924 (TNA FO/371/9740).

basis for negotiations.[48] Gustav Stresemann's German government also wished to pursue a policy based on acceptance of the report, and on 6 June won a decisive vote of confidence in the Reichstag which enabled him to do so.

MacDonald's aim was now to get the French to agree to implementation of the Dawes report and withdrawal from the Ruhr, while conceding as little as possible in return. One strand of this policy was to bring the Belgians, hitherto close allies of the French, on board.

In early May MacDonald and Crowe met Georges Theunis, the Belgian Prime Minister, and Paul Hymans, the Foreign Minister, at Chequers. The informal meeting was friendly, and successful in that the Belgians told MacDonald that they had joined the Ruhr occupation unwillingly and they now wished to end at least the military aspect of it. However, it also highlighted the distance which still separated Britain and France. Theunis said that Poincaré would be willing to end the economic occupation of the Ruhr, but only if a skeleton French military presence could be maintained, and if the British would undertake to act against any future German default. There would be no need to send British troops to the continent: a naval blockade would satisfy the French Prime Minister! MacDonald said that this was "impossible" and pointed out that the Treaty of Versailles already contained sufficient guarantees – such as the occupation of the West bank of the Rhine. He then turned the tables on Theunis, asking him what would happen if the Experts' Report fell apart "owing to the unreasonable attitude of M. Poincaré"? When Theunis replied that this would restore to the French complete liberty of action to enforce the payment of reparations as they saw fit, MacDonald said that Britain too would feel free to pursue its own policy: it would begin by challenging the legality of the entire occupation and the arrangements for the payment of reparations. At length, Theunis promised to try to prevent Poincaré from making any inflammatory statements during the forthcoming French elections, and it was agreed that if France could be provided with satisfactory guarantees an international conference should be convened to

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[47] Telegram by MacDonald to French, Italian, Belgian, German, American and Japanese governments, 10 April 1924 (TNA FO/371/9740).
[48] The responses of the French, Belgian and Italian governments are printed in *The Times*, 28 April 1924.

arrange the implementation of the Dawes report and the withdrawal of foreign troops from the Ruhr.[49]

Following the limited success of the Belgian talks, on 9 June MacDonald invited Poincaré to Chequers. This seemed a brave move given that the French election was due only two days later, particularly when Poincaré was defeated, but the general impression in France was that the British were acting honourably in not seeking to interfere in the French elections. Certainly the new French Prime Minister, the socialist Edouard Herriot, had no hesitation in accepting the hastily re-issued invitation.

Herriot stood for a more conciliatory approach – and he needed a foreign policy success. Less than a week after taking office he arrived at Chequers for talks with MacDonald. The Foreign Office machine had already confirmed that Herriot was anxious to reach an agreement, and so MacDonald felt able to take a firm line.[50] The bland official communiqué of the meeting reported that "a friendly and informal conversation took place" which "revealed general agreement between the French and British point of view", and that an inter-allied conference would be arranged for July.[51] In fact, over the two days MacDonald managed to get Herriot to agree to the evacuation of the Ruhr in return for the implementation of the Dawes report, while successfully avoiding committing Britain to any new security guarantees to France. MacDonald reassured Herriot that the implementation of the Dawes report would only be "the first step in the conclusion of a long series of agreements". He went on:

> The general perspective which opens before my eyes is that of a new method of settling questions between allies; that of a friendship and a constant collaboration ... Let us therefore settle first the question of the Dawes Report; then we will go on to that of inter-Allied debts, then to the problem of security, and we will try to remove from Europe the risks of war which threaten it.[52]

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[49] Notes on conversation on 2 and 3 May at Chequers between Mr MacDonald, Mr Crowe, Mr Theunis and Mr Hymans, 3 May 1924 (Cabinet paper 290(24)). Notes on the Belgian response to the talks can be found in TNA FO/371/9743.

[50] For example, telegram from Lord Crewe to MacDonald, 14 June 1924, containing an account of an interview between Sir Eric Phipps and Herriot (TNA 30/69/29); and letter from Mr Titulesco to Ronald Waterhouse (MacDonald's private secretary), 11 June 1924 (TNA 30/69/108).

[51] *The Times*, 23 June 1924.

[52] Foreign Office record of Chequers talks, from Marquand, *Ramsay MacDonald*, pp 339-40.

Thus fortified, Herriot returned to France and preparations were finalised for an Inter-Allied conference in London.

Two last storms had to be weathered before the conference began. On 26 June in the Commons MacDonald denied, truthfully, a Belgian newspaper report that he had given a firm military guarantee to France.[53] Then on 8 July a diplomatic storm was caused by the accidental inclusion of a private FO policy paper along with the formal British invitation to the London Conference. The policy paper set out the view that the power of the Reparation Commission to declare Germany in default should be ended. Herriot was condemned in the French Chamber of Deputies for his capitulation to the British, and MacDonald was forced to dash to Paris to reassure the French that the document did not represent settled British policy. After returning from France, MacDonald noted wearily in his diary: "I had not seen the despatches [which were sent to the French government], and prayed, as I have had to do several times, for diplomatic sense in the Office."[54]

Herriot, who had been roundly criticised for his weakness at Chequers, used the home advantage to secure some concessions from MacDonald. As the British had already accidentally made all too clear they wished to sideline the Reparation Commission, on which the French and Belgian representatives could outvote the British and declare Germany in default, and kick the whole issue of sanctions in case of future German defaults into the long grass. The British case was strengthened by the Dawes Report's recommendation that a loan be made to Germany, as the British and American bankers who would actually have to provide the money would be unlikely to agree to a loan if it seemed possible that Germany might return to the chaos of the early days of the occupation. For its part France wished to maintain the Reparation Commission as the key joint Allied body supervising the extraction of payments from Germany, fearing that the loss of this cornerstone of the Versailles settlement might cause the whole edifice to collapse.

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[53] HC Debates, 26 June 1924, volume 175, cols 593-6.
[54] MacDonald diary 9 July 1924 (TNA 30/69/1753/1).

MacDonald showed his flexibility by making concessions on the issue of the Reparation Commission in order to save his overall aims of French evacuation from the Ruhr and the implementation of Dawes. After the talks a memorandum was issued which stated that "the two Governments recognise the importance of the economic and financial points of view, and more especially the necessity of establishing a state of confidence which may give the necessary security to the eventual lenders; but they do not consider that this necessity is incompatible with respect for the provisions of the Treaty of Versailles". The Reparation Commission would not be weakened, but in deference to the bankers who would have to provide the German loan it was proposed that an American representative be added to it to make it more impartial. Finally, in a triumph for MacDonald's obfuscation, it was agreed that if the Commission ruled that Germany was in "wilful important default", the relevant Governments would confer amongst themselves and take such measures as they thought fit "in order to protect themselves".[55]

Having edged towards the middle of the road, MacDonald at once had to dodge the traffic coming the other way. On 14 July Morel announced to the Commons that "it would be quite idle to pretend that the Dawes Report is not regarded by many of us on these benches with a most profound apprehension". The only thing in its favour, he continued, was that it might bring about the evacuation of foreign troops from the Ruhr, but the Franco-British memorandum was silent on this crucial point. Britain ought to stand for a negotiated reparations settlement in which Germany was an equal partner, the evacuation of all foreign troops from Germany, the cancellation of the French and Italian debts to Britain, and an expansion of the League to include Germany and Russia.[56]

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[55] Franco-British memorandum of 9 July 1924 concerning the application of the Dawes scheme (Cmd 2191).
[56] HC Debates, 14 July 1924, volume 176, cols 134-8.

The Inter-Allied Conference began on 16 July. MacDonald made a positive and generally well-received speech, in which he set out the British stall:

> In some of its proposals the [Dawes] report may be debatable, but we have been warned by the experts that it must be taken as a whole ... We should begin by putting aside all questions other than the pure and simple application of the report itself.

The warm glow did not quite last until the end of his speech. MacDonald's proposal that after each plenary meeting each national delegation should be permitted to issue an official communiqué was attacked by Herriot and Theunis, who claimed that, while national delegations always gave their version of events to the press (in other words, leaked), the fact that such briefings were unofficial helped to minimise their importance. MacDonald argued in vain that as a critic of previous international gatherings he had been given the impression by the leaks and the lack of official information that they "were all in a conspiracy to hide your disagreements from me and my friends outside". However, the traditionalist view of the French and Belgian delegations won through, and it was agreed that only the Secretary-General should be allowed to issue an official communiqué after each plenary meeting.[57]

Somewhat to his own surprise, the Secretary-General was Hankey. He was even more surprised to have been proposed for the job by Crowe, who, Hankey thought, had resented Hankey's repeated incursions into territory usually occupied by members of the FO. However, Hankey proved to be an excellent Secretary and enhanced the international reputation he had gained at Lloyd George's side at the post-war peace conferences.[58]

The Conference established three committees to reach agreement on the outstanding issues. The first, chaired by Philip Snowden, would examine the role of the Reparation Commission, the procedure for declaring a German

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[57] London Reparation Conference: Proceedings of the Inter-Allied Conference (TNA CAB 29/103).
[58] Roskill, *Hankey: Volume 2* (1972), pp 369-71. See also Hankey to Haldane, 20 August 1924 (NLS MS 5916).

default and the security to be given to the bankers. The second, under JH Thomas, would consider the restoration of German economic unity; and the third, under Sir Robert Kindersley, would look at the application of reparations payments in the recipient countries. After some hard bargaining the Inter-Allied Conference reached agreement, and invited the Germans to attend a technically separate "International" conference to conduct negotiations between the Allies and Germany. This conference opened on 5 August and concluded with a series of four agreements on 16 August.

Snowden was not a happy choice to be chairman of the Allied committee dealing with the politically sensitive issue of the Reparation Commission and the loan. At the first meeting of the committee Snowden announced that the guarantees set out in the July Paris Memorandum would probably prove inadequate to secure a loan, provoking outrage from the French delegation. Despite Snowden's confrontational attitude the committee did manage, with the assistance of British and American bankers, to devise further guarantees. There would be no declaration of German default before the Reparation Commission had consulted a representative of the lenders; and in case of default, the loan would be given priority over any sanctions which were applied. If this did not succeed in convincing the bankers to raise the loan, then the bankers could seek further guarantees from the Commission and the German government. On the procedure for declaring Germany in default, it was agreed that if any member of the Reparation Commission disagreed with the majority decision that Germany was in default, the dissenter could appeal to independent arbitration.

Even after his committee's work was completed, Snowden continued to cause bad feeling and to bait the French delegation. On the first full day of the International Conference Snowden publicly sided with Germany against France and his own Prime Minister.[59] In his diary MacDonald repeatedly made clear his frustration with his Chancellor, writing on 8 August that "S [Snowden] has been terribly clumsy today and he negotiated like a drill sergeant giving orders"; and

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[59] London Reparation Conference: Proceedings of the International Conference (Cab/29/104); and Hankey to his wife, 7 August 1924, quoted in Roskill, *Hankey: Volume 2*, p 371.

on 12 August that "S's method of negotiation is to throw daggers about him."[60] As late as 13 August Snowden continued to stir up trouble: late that night he saw MacDonald and "with cynical glee he [Snowden] informed me [MacDonald] that unless the French went out of the Ruhr at once the bankers told him there would be no loan. I pointed out that we had not to represent bankers but make the best political agreement we could". Later in the night MacDonald wrote to him: "I have had a most terrible evening – a furious, wounded Herriot, telephone messages sent to a theatre, Stresemann at midnight. Your remarks yesterday have played havoc ...". The next night Snowden threatened resignation, but this bluster came to nothing.[61] MacDonald poured oil over the waters whipped up by Snowden and others, and made himself available to all of the delegates at any time of the day or night. On the night of Snowden's outburst, MacDonald wrote in his diary: "Stresemann came at midnight and poured out his soul."[62]

The most important issue to be resolved between the Allies and Germany was the evacuation of foreign troops from the Ruhr. Most of the French delegation desired two years' grace to evacuate, though the Minister for War General Nollet argued strongly that the French military presence should be maintained indefinitely.[63] Eventually Herriot agreed to propose a delay of one year, and the German delegation, after consulting their Cabinet, agreed that there should be a phased withdrawal of troops, to be completed within one year of the signing of any final agreement.[64]

In summary, the series of agreements signed on 16 August between the Allies, and between the Allies and Germany, meant that the revised reparations payments envisaged by Dawes would be implemented; that the French and

[60] MacDonald diary, 8 and 12 August 1924.
[61] MacDonald diary, 13 and 14 August 1924; and MacDonald to Snowden, 14 August 1924 (TNA 30/69/1753/4). It merits a footnote to point out that MacDonald was not always above leaning on 'the bankers' to further his policies: in May he had instructed the Treasury to convey to senior City figures in the City that he "would view with disappointment any lack of interest which might be shown ... by the London Market" in a loan which it was proposed to be raised to assist in the economic reconstruction of Hungary (Harold Nicolson to the Treasury, 5 May 1924 (DBFP, volume XXVI, p 198)).
[62] MacDonald diary, 13 August 1924.
[63] MacDonald diary, 7 August 1924.
[64] MacDonald later learnt that the German Cabinet had only agreed to the proposal at the personal insistence of the German President (D'Abernon to MacDonald, 16 August 1924 (DBFP, volume XXVI, p 843).

Belgian troops would be withdrawn from the Ruhr within one year; and that the powers of the Reparation Commission would be diluted. A loan of £40 million would be arranged between Germany and British and American bankers.[65]

In bringing the conference to a close, MacDonald declared:

> I believe we have given Europe something better than an agreement drafted by lawyers and printed on paper – we all negotiated, discussed, put ourselves in each other's shoes ... We are now offering the first really negotiated agreement since the war ... This agreement may be regarded as the first Peace Treaty, because we sign it with feeling that we have turned our backs on the terrible years of war and war mentality.[66]

MacDonald's triumph

MacDonald had brought about the first negotiated agreement between France and Germany since the end of the war, something which had seemed impossible at the start of the year. It was a very personal triumph, and according to his biographer Marquand, "it was the high point of his Government – perhaps of his career."[67] What were the methods by which MacDonald achieved his triumph?

MacDonald certainly did not seek the advice and assistance of his Cabinet colleagues. European policy was barely discussed at Cabinet meetings, and when it was the debate rarely went to the heart of policy. For example, on 15 July, MacDonald raised the forthcoming London conference in Cabinet. But the only issue he wished to discuss was whether it would be in order to appoint a permanent official (Eyre Crowe) as a full delegate, given that the French and Italians proposed to do the same, and "in view of the many highly technical issues involved". A measure of disquiet is suggested by Hankey's minute that "some discussion took place as to the desirability of including a Permanent Official among the delegates of a Conference to consider issues of large policy", but in the end the Cabinet agreed to let MacDonald decide.[68]

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[65] London Conference: final protocol (Cabinet paper 44(24)).
[66] Proceedings of the London Reparation Conference (Cmd 2270).
[67] Marquand, *Ramsay MacDonald*, p 351.
[68] Cabinet conclusions 41 (24), 15 July 1924.

The evidence suggests that MacDonald also responded antagonistically to advice offered by others within the Labour movement, whether it was given privately or publicly. Ponsonby doubted whether the Prime Minister even read the memoranda prepared by the ACIQ. Angell, MacDonald's old UDC colleague, recalled in his memoirs MacDonald's angry denunciations of the Independent Labour party magazine, the *New Leader*, which was critical of his European policy. At a private luncheon with Angell, MacDonald railed: "what we want is for the *New Leader* to carry on socialist propaganda, and I want the ILP to carry on socialist propaganda, instead of which everybody wants to be a Cabinet Minister, or if they do not want to be a Cabinet Minister, they want to make a Cabinet of their own."[69]

In fact, MacDonald benefited from his immense personal popularity within the Labour movement, and a marked unwillingness amongst the majority of the Labour movement to make things difficult for Britain's first Labour Government. George Lansbury, for example, confided to Beatrice Webb that he had serious doubts about the Dawes plan, with its aim of reforming and not abolishing reparations payments, and that he felt like a criminal for keeping them to himself.[70]

MacDonald's broad goals of reconciling France and Germany did not represent a revolutionary break in British foreign policy, but he did pursue this goal in a new way, marking a clear break from Curzon's policy of even-handed hostility to France and Germany. MacDonald's foreign policy was characterised first by the attempt to create a new atmosphere, involving friendly informal approaches to foreign leaders. Second, in order to keep to a minimum the scope for rumour and suspicion, there was a measure of openness, with the prompt publication of various documents (usually those which contained no sensitive material, such as the correspondence with Poincaré). Third, MacDonald banked on his party's high credit with Germany and attempted to develop good relations with France, in the process moderating the usual party rhetoric about France (and disowning

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[69] Angell, *After All*, pp 239-243.
[70] Winkler, *Paths Not Taken*, p 134.

those such as Henderson who forgot similarly to trim their sails). MacDonald was also willing to tinker with manifesto promises in order to ensure the success of his policy. For example, Labour's 1923 manifesto had called for the immediate calling of an international conference, including Germany on terms of absolute equality, to deal with the revision of the Versailles Treaty. But MacDonald faced stern opposition to this policy, the French warning him that, under the Treaty of Versailles, "Germans may be heard, but cannot be called into consultation"![71] MacDonald therefore had both to face down the French, and to modify the manifesto pledge. He successfully proposed that, as in the manifesto, there should be an international conference including Germany on terms of equality, but that this should be preceded by a conference which only the Allies would attend, which would discuss the terms of the deal to be reached with Germany. Furthermore, there would be no question of opening up the whole of the Versailles settlement: the Conference was restricted to considering the implementation of the Dawes report, the evacuation of the Ruhr, and subsidiary matters concerning the German loan.

The senior FO officials seem loyally to have followed MacDonald's firm lead. PMH Bell has suggested that this was because in 1924 "MacDonald's vague idealism chimed in with Foreign Office concepts of power politics": in other words, the FO was not ideologically converted by MacDonald, but thought that concessions should be made to Germany in order to balance the power of France.[72] Other factors were also probably important, such as the absence of any realistic alternative policies, and the extra power given to MacDonald by virtue of the fact that he was also Prime Minister. Whatever the reason, MacDonald's generally good relations with the FO stand in contrast to Ponsonby's uncomfortable ride, examined in the next chapter.

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[71] Crewe to MacDonald, 22 April 1924 (DBFP, volume XXVI, p 650).
[72] PMH Bell, *France and Britain 1900-1940: Entente and Estrangement* (Harlow: Longman, 1996). p 146.

3. International security: draft Treaty of Mutual Assistance and the Geneva Protocol

The search for an international security agreement in 1924 was dominated by the tension between the British and French views of how best to avoid a future war. The Chequers talks between MacDonald and Herriot illustrated these differences very well. MacDonald argued that the immediate requirement was to settle reparations and reduce the friction between the nations who had so recently been at war – in other words, to 'improve the European weather'. Only when this had been done – and, indeed, probably only after a measure of disarmament had been achieved – would it be possible to consider new security arrangements to provide protection against future wars. MacDonald hoped privately that it might be possible to improve the weather to such an extent that France would no longer crave formal alliances or treaties. Herriot, in contrast, held that security guarantees for France were an integral part of French policy. His country had been attacked to devastating effect by Germany twice in the last fifty years, and it desperately craved protection from future German aggression.

Ideally, most French leaders would have liked a firm alliance with Britain, but after the collapse of the twin Anglo-French and American-French treaties negotiated at Versailles and the subsequent failure of negotiations for a free-standing Anglo-French treaty, their attention shifted to the League of Nations, which held out the hope of some kind of comprehensive security guarantee, offered by all Member States to any Member State which was the victim of aggression. However vague such an agreement might be, it would be better than nothing.

Draft Treaty of Mutual Assistance

The draft Treaty of Mutual Assistance, which was negotiated at the League of Nations' fourth Assembly in September 1923, for a time held out the promise of satisfying the French desire for security. Under the Treaty, which declared that "aggressive war is an international crime", signatory states promised to come to the aid of other signatory states within their own continent which were the

victims of aggression. (There was a suggestion that naval forces might be exempt from this rule.) Such aid would be decided by the League Council, and might take the form of economic blockade or direct military action. States would only be eligible for assistance if they had first substantially disarmed. The Treaty also envisaged special security arrangements involving groups of states (ie. regional alliances), and permitted "conditional or partial adherence" by a state. The Treaty would come into effect when a sufficient number of states had ratified it (a point which had not been reached when Labour took office).[73]

Although Baldwin's Conservative Government left office before announcing their response to the draft Treaty, there can be little doubt that they would have rejected it, and before the Government left office civil servants had already marshalled an array of arguments against it.[74] When Labour took office, expectations ran high amongst the supporters of the League that the new Government would adopt a more favourable outlook, and the Government was immediately pressed by back-bench Labour MPs to say whether it would ratify the Treaty.[75]

The change of government had not altered the attitude of the civil service to the Treaty. The War Office, for example, opposed putting British armed forces under League control, and suggested that the "moral strength" of the League should be increased instead. The Army Council considered another war with Germany inevitable, and favoured a direct military alliance with France.[76] For the FO Harold Nicolson deprecated these comments but nevertheless agreed, along with Crowe and Tyrrell, that the Treaty should be rejected. The treaty offended the traditional British desire for precision in official documents: Crowe and Tyrrell argued for the treaty's rejection on the grounds that it failed convincingly to define an aggressor; that there was therefore likely to be a long delay before

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[73] Correspondence between His Majesty's Government and the League of Nations respecting the proposed Treaty of Mutual Assistance (Cmd. 2200); and Carolyn Kitching, *Britain and the problem of international disarmament 1919-1934* (London: Routledge, 1999), p 68.
[74] For example, in the Memorandum by the First Lord of the Admiralty (Leopold Amery) on the draft Treaty (Cabinet Paper 311(23)). See also Kitching, *Britain and the problem of international disarmament* (1999), p 73.
[75] For example, Questions by Mr Hudson MP and Mr Harvey MP on 12 and 14 February 1924 (HC Debates, volume 169, respectively cols 730 and 1058).
[76] General Staff memorandum of 24 June 1924 (TNA FO/371/9818).

any action could be taken against an aggressor; and that this, together with the fact that it was not clear what help victims might expect to receive, would not encourage states to disarm.[77] For their part the Navy chiefs raised the alarm about the proposal to exempt naval forces from the 'same continent' rule. They noted that the Royal Navy operated in more areas than any other; and argued that if the Government signed the Treaty, and took it seriously, they could not disarm. They would, in fact, have to *increase* the size of the Royal Navy. In any case, outposts of the British Empire could be found in every continent, and so Britain might be required to fight against any aggressor, anywhere in the world![78] The fate of the Treaty was sealed when Parmoor failed to convince MacDonald to refer it for consideration to a Cabinet committee, rather than to the CID, which naturally endorsed the arguments of the Army and Navy chiefs. Hankey, the CID Secretary, was also opposed to the Treaty.[79]

During these discussions, which went on behind the closed doors of Whitehall, the Treaty's supporters lobbied the Government. The Conservative politician Viscount Cecil had been instrumental (together with the French) at the 1923 League Assembly in drawing up the draft Treaty, and he urged the Government to endorse it.[80] The League of Nations Union (LNU), a pressure group established after the war in order to support the League, argued that the Government should establish a Royal Commission to consider the Treaty. When this suggestion was rejected the LNU's chairman, Gilbert Murray, sought a meeting with MacDonald to discuss modifications which might make the Treaty acceptable. The Foreign Office concluded that the proposed modifications did not meet their objections, and Crowe decided that there was no point in MacDonald seeing an LNU deputation. On Crowe's instructions Murray received a terse letter from an FO official, explaining "the Prime Minister's inability, owing to want of time, to receive the committee."[81] This suggests that the FO might have been deliberately preventing MacDonald from hearing the other side of the argument, but this does not actually seem to have been the case. MacDonald

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[77] Memorandum by Crowe, 11 November 1923; and correspondence between Hankey and Tyrrell April 1924 (both TNA FO/371/10,568).
[78] Cabinet Paper 309(24).
[79] For Parmoor's failure see FO/371/10,568; for the CID conclusions see Cabinet Paper 311(24).
[80] Cecil, *All the Way*, p 184.

himself approved Crowe's proposed course of action, and initialled the Minute in which it was made. MacDonald was also personally hostile to the LNU leadership: he had taken great offence when his name was omitted from a list of leaders on the LNU's Labour Committee. Because of this, he had refused to become the League's president – the first Prime Minister to refuse this honorary title since the League's creation in 1918.[82]

It would be wrong to imagine that the entire civil service whispered into one of MacDonald's ears, while the united Labour party whispered into the other, both attempting to sway MacDonald their way. In 1924, years before European events took such a decisive turn for the worse, even the Labour party's own Advisory Committee on International Questions was split on the merits of the draft Treaty. Morel and others viewed it as a perpetuation of the alliance system, and urged its rejection. Another group suggested that it should not be activated until both Germany and Russia had joined the League, and could therefore benefit from the draft Treaty, as well as be threatened by it. Ponsonby was sympathetic to the League, but reluctantly agreed with this latter group, and opposed the draft Treaty in its present form on the grounds that it would discourage Germany from joining the League.[83] MacDonald himself was strongly disinclined to agree to a Treaty in which the use of armed force figured so prominently.

Under these circumstances it is unsurprising that the Government decided to reject the draft Treaty. The British note of rejection was considered in draft by the Cabinet on 27 and 30 May, and finally sent to the League secretariat on 5 July. The Government based its rejection on the arguments set out in private by the civil servants: that the Treaty would increase the League Council's powers to an undesirable extent; that the obligations on signatories were vague; that the weakness of the security guarantee was not conducive to disarmament; and that the diverse interests of the British Commonwealth meant that Britain might be drawn into every conflict that arose, anywhere in the world. The provision for

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[81] Letter from Murray to MacDonald, 5 June 1924, and accompanying file (in TNA FO/371/10,568).
[82] Donald Birn, *The League of Nations Union 1918-1945* (Oxford: Clarendon, 1981), p 51; Viscount Cecil, *A Great Experiment* (London: Jonathan Cape, 1941), p 156.

partial alliances was specifically criticised for permitting a return to the old alliance system. The Cabinet attempted to soften the rejection by insisting that the note reiterated Britain's commitment to taking part in a world disarmament conference; and MacDonald added his own twist by stating that he preferred to seek security through arbitration rather than military guarantees. But there was no disguising that the draft Treaty had been delivered a mortal blow.[84]

Internationally, the rejection came at a sensitive stage in the European negotiations: MacDonald's discussions with Herriot in Paris a few days later naturally turned to the British rejection of the draft Treaty negotiated by Cecil and the French the previous September. As we have seen, for France the establishment of a security treaty was just as urgent a priority as settlement of reparations and the Ruhr question, and the memorandum issued by MacDonald and Herriot on 9 July reassured France that the two Governments had agreed to "co-operate in devising, through the League of Nations or otherwise, as opportunity presents itself, means of securing security."[85]

Geneva Protocol

The successful conclusion of the London Conference in August set the scene for the League of Nations' fifth annual Assembly, to be held in Geneva in September. MacDonald decided that he would lead the British delegation, and in doing so became the only serving British Prime Minister ever to attend the Assembly. The other British delegates were a far more heavyweight group than the previous year's Conservative team. In addition to MacDonald, Parmoor and Arthur Henderson were full delegates, and the substitutes were Cecil Hurst (FO), Arthur Ponsonby, and Helena Swanwick (a committed League supporter). It was not envisaged that MacDonald would stay for the entire Assembly: on his departure the vacant place would be filled by Gilbert Murray, the LNU's

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[83] Winkler, *Paths Not Taken*, p 140; Ponsonby minute, 1 March 1924 (TNA FO/371/9813).
[84] Cabinet Paper 318(24); Cabinet conclusions 34(24) and 35(24) (27 and 30 May 1924 respectively); Cmd. 2200; Gwen Carter, *British Commonwealth and International Security: the Role of the Dominions, 1919-39* (Toronto: Ryerson, 1947), p 111; PS Gupta, *Imperialism and the British Labour Movement 1914-1964* (London: Macmillan, 1975), p 95. For the responses of other countries, see correspondence and memoranda in TNA FO/371/10,569.
[85] Cmd. 2191.

chairman.[86] This was a neat solution to the problem of how to include Murray in the delegation, and so encourage the Government's pro-League supporters, while sparing MacDonald the chore of spending too much time with someone who he regarded with personal hostility (page 201). It was a strong team of people who were generally sympathetic to the League and its aims, but in office the old Labour proposal to include Opposition members in national delegations was quietly forgotten.

Fresh from his triumph at the London Conference, MacDonald's speech at the opening of the Assembly was eagerly awaited. Swanwick acidly noted: "It is pathetic to see how they are hailing MacDonald as the Superman who is to get Europe out of the mess."[87] MacDonald began by repeating the British objections to the draft Treaty of Mutual Assistance, and noted in particular that security could not be obtained through a system of military alliances. He then went on to outline a constructive programme. First, Germany should be admitted to the League. Second, attention should be focussed on the question of how to increase each country's security to the extent where it was willing to disarm. This should be done by devising a system of arbitration, which would remove grievances before they blew up into military confrontations, and help to identify aggressors. The aggressor state would always be the state which was unwilling to go to arbitration, and which was unwilling to explain openly what its aims were. When it had been possible to work out "the beginnings of arbitration", a disarmament conference could be convened. The conference should be called soon, but there was no point in starting disarmament negotiations now, before any preparatory work had been done. He concluded:

> We have to instil into the world confidence in the order and rectitude of law, and then nations ... can pursue their destinies with a feeling of perfect security, none daring to make them afraid.[88]

The next day, it was Herriot's turn to speak. He followed MacDonald's lead in emphasizing the importance of arbitration, but argued that "arbitration, security

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[86] Crowe Minute, 3 May 1924 (TNA FO/371/10,575).
[87] Quoted in Lyman, *First Labour Government*, p 173.
[88] League of Nations, *Official Journal: Records of the Fifth Assembly - Text of the Debates* (Geneva: League of Nations, 1924), pp 41-45.

and disarmament" were inseparable: in other words, arbitration was complementary, not an alternative, to sanctions against aggressor states.

MacDonald then prepared, together with the French delegation, a resolution instructing committees of the Assembly's committees to consider security and the reduction of armaments, and "to examine the obligations contained in the Covenant of the League in relation to the guarantees of security which a resort to arbitration and a reduction of armaments may require"; "the articles in the Covenant relating to the settlement of disputes"; and the optional clause in the statute of the Permanent Court. (By signing this clause states pledged themselves to submit all justiciable international disputes to the League's Permanent Court of International Justice.)[89] MacDonald then went home, leaving the subsequent negotiations to the rest of the British delegation, particularly Henderson and Parmoor.[90] These negotiations eventually resulted in the adoption by the Assembly of a 'Draft Protocol for the Pacific Settlement of International Disputes', commonly known as the Geneva Protocol.

Under the Protocol, no signatory state would be permitted to resort to war except in self-defence or with the permission of the League's Council or Assembly. Signatories would adopt the Optional Clause of the Permanent Court; and agree to submit all other disputes to settlement by the League Council or by various forms of arbitration under the aegis of the League. If all peaceable means of settling a dispute failed, the League Council would call on signatory states to apply sanctions within terms of article 16 of the League's original Covenant, each signatory undertaking to "co-operate loyally and effectively ... in the degree to which its geographical position and its particular situation as regards armaments allow". The aggressor would be defined as the state which refused to abide by the Permanent Court ruling, or the decisions of any alternative arbitration procedures. Finally, a disarmament conference would be held in June 1925, to which all states, whether members of the League or not, would be invited. Unlike the draft Treaty, the Protocol would only become

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[89] Lyman, *First Labour Government*, p 174.
[90] MacDonald diary, 21 September 1924.

operative on the successful conclusion of this disarmament conference (though states could pledge themselves to the Protocol without delay).[91]

The interests of other states, and the role played in the negotiations by other statesmen should not be underplayed. Indeed, the leading roles in the negotiations were taken by the Czech Premier Edward Benes and the Greek statesman Nikolaos Politis. However, it is true to say that to a large extent the Protocol represented a compromise between MacDonald's desire for an arbitration agreement to remove the causes of friction between states and to further the cause of disarmament, and the French desire for automatic sanctions to be applied in the event of a new German invasion of France.

As such the negotiations involved compromises at all levels. The French accepted that the emphasis of the Protocol would be on arbitration; while the British accepted that a resort to sanctions might be necessary in the last resort. At the micro level Parmoor successfully insisted that the Protocol should not come into effect until after a successful disarmament conference, as MacDonald had implied in his speech on 4 September; and Henderson convinced the French to omit any reference to partial regional agreements, which were encouraged under the old draft Treaty (because the French had been anxious to retain the Little Entente).[92]

The British negotiators did not enjoy a free hand. The goings-on in Geneva caused considerable alarm in Whitehall, particularly within the Foreign Office and the services, about what was being done in the name of the British Government. An alarming and factually inaccurate story was printed by *The Times* correspondent in Geneva, claiming that:

> In the negotiations now taking place in the sub-committee of the Third (Disarmament) Committee of the League of Nations it is contemplated that the British Fleet shall be placed entirely at the disposal of the League as prescribed by article 16 of the Covenant.[93]

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[91] Cabinet paper 466(24). The Protocol was published by the British Government as Cmd. 2273.
[92] For the British point of view during the negotiations, see TNA FO 371/10,570.
[93] *The Times*, 16 September 1924.

Unsurprisingly, Viscount Chelmsford informed the Cabinet that the Navy viewed the discussions in Geneva "with some apprehension"; complained that they had been given no opportunity to consider properly the various drafts emanating from the Assembly's committees; and concluded that he trusted that any agreement would be referred to the CID before the Government reached any decision on it.[94] Earl Beatty wrote in a private letter to his wife: "a nice mess the delegates at Geneva are getting into ... I have now told them that we at the Admiralty agree to nothing."[95] In response to these pressures, MacDonald repeatedly reminded the British delegation that they must make it clear that the negotiations in no way committed the British Government, which reserved the right to formulate its own position on the outcome of the Assembly's discussions.[96] Britain was not, therefore, one of the ten states (including France) which signed the Protocol before the end of the session of the Assembly.

The stage should have been set for a showdown between British supporters and opponents of the Protocol, but the Government's brief life was drawing rapidly to a close. The Campbell case blew up when the Commons reassembled on 30 September, and on 8 October the Government were defeated and dissolved Parliament.

Would Labour have adopted the Geneva Protocol if they had remained in office? Historians are divided. According to CL Mowat and others, "the Labour government had every intention of ratifying" the Protocol, but this is disputed by David Carlton and Henry Winkler.[97] What does the evidence suggest? We have already seen that the majority of civil servants, including senior FO officials and the services (especially the Navy), opposed the Protocol. Hankey was also against. The dominions did not support the Protocol, but they viewed it with less

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[94] Cabinet paper 456(24).
[95] Beatty to wife, undated (early October 1924), in Chalmers, *Life and Letters of David, Earl Beatty*.
[96] For example, minutes by Tyrrell and MacDonald, both 23 September 1924 (TNA FO/371/10,570).
[97] Mowat, *Britain Between the Wars*, p 181. Mowat's view is supported by Maisel, *Foreign Office and Foreign Policy, 1919-1926*, p 145; and Marquand, *Ramsay MacDonald*, p 356. For the contrary view, see Carlton, *MacDonald versus Henderson: The Foreign Policy of the Second Labour Government*, p 27 and Henry Winkler, *British Labour Seeks a Foreign Policy* (New Brunswick: Transaction, 2005), p 62.

alarm than the draft Treaty, and the Commonwealth historian Carter considers that they might, with some modification, have been induced to accept it.[98]

The Labour Ministers were divided. Unsurprisingly, Parmoor and Henderson both supported the fruits of their work. Parmoor later wrote in his memoirs "I have no doubt that [ratification] would have been obtained without difficulty", and on his return from Geneva Henderson began to campaign for the Protocol's acceptance.[99] However, other Ministers were sceptical. Wedgwood was against on the grounds that the Protocol would perpetuate the unjust Versailles Peace Treaty, and wrote in his Memoirs that "Arthur Henderson nearly, but not quite, converted the Cabinet to the Protocol."[100] Ponsonby was unenthusiastic, viewing the Protocol as "a device to appease France so that the General Disarmament Conference might proceed."[101] The influential Haldane also opposed the Protocol, and was particularly concerned about its commitment to sign the Optional Clause of the Permanent Court.[102] Snowden was also against.[103]

The wider Labour movement was also split but on balance seemed to favour the Protocol. The Labour journalist HN Brailsford supported it, but noted the danger that it might be used as an alliance against Russia, which should be strongly encouraged to join the mooted disarmament conference. The members of the ACIQ generally supported the Protocol, but some were cautious about the sanctions provisions.[104]

The forces on either side were finely balanced. Had the Government survived MacDonald's influence would have proved decisive either way. Characteristically, MacDonald never made it clear whether he was willing to sign

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[98] Carter, *British Commonwealth and International Security*, p 119.
[99] Lord Parmoor, *A Retrospect* (London: Heinemann, 1936), p 253; for Henderson's attitude see, for example, speech in Burnley reported in *The Times*, 13 October 1924, and Hamilton, *Arthur Henderson*, p 250.
[100] Josiah Wedgwood, *Memoirs of a Fighting Life* (London: Hutchinson, 1941), p 184.
[101] Jones, *Arthur Ponsonby*, p 165.
[102] Memorandum by Haldane, 21 July 1924 (TNA FO/371/10,573). States signing the Optional Clause would undertake to submit all justiciable international disputes to compulsory arbitration.
[103] Snowden to MacDonald, 14 October 1927 (TNA 30/69/1753/4).
[104] From Lyman, *First Labour Government*, p 178.

the Protocol as it stood, and colleagues were divided about his attitude.[105] MacDonald was sceptical about general security treaties, and many of the British Government's objections to the draft Treaty of Mutual Assistance could also be levelled at the Protocol. In particular, MacDonald disliked the sanctions provisions in the Protocol. In *Protocol or Pact?*, a pamphlet written after Protocol's rejection by the Conservative Government, he wrote that sanctions had only been included in the Protocol because other countries insisted upon them, and that he hoped they would never have had to come into effect.[106] In addition to these ideological objections were personal factors: beyond his speech in Geneva, MacDonald had had little personal involvement in the negotiation of the Protocol – and a leading part had been taken by Henderson, for whom MacDonald had little respect. MacDonald would also have had to over-ride the FO officials and the service chiefs and their traditional arguments against military alliances and abrogating the freedom of British decision-making in its foreign and military policy; and, finally, the opposition of the dominions.

However, MacDonald was capable of overcoming the opposition of his FO officials and service chiefs when he chose to, for example when ordering work to be stopped on the Singapore naval base. This is a particularly good example as MacDonald's ground for over-riding the advice of the permanent officials was that he, as the Foreign Secretary, had to take a wider view than that of his officials, who quite properly provided him with advice which was within their particular sphere of expertise. MacDonald might have decided that the Protocol was one of those issues where 'wider issues', such as the pursuit of a disarmament agreement, came into play. MacDonald was also willing on occasion to take decisions independently of the Dominions, who on balance supported the Singapore naval base, and were not consulted about the resumption of diplomatic relations with Russia. In 1929, Henderson was successful in persuading all of the Dominions to follow the British lead and sign the Optional Clause.[107]

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[105] Major-General AC Temperley claimed in *The Whispering Gallery of Europe* (London: Collins, 1938). p 29, that MacDonald opposed the Protocol; Lord Vansittart declared in *The Mist Procession*, p 332, that he mourned its loss "to the end of his days"!
[106] Ramsay MacDonald, *Protocol or Pact?* (1925).
[107] Carlton, *MacDonald versus Henderson: The Foreign Policy of the Second Labour Government*, p 75.

There would also have been considerable pressure on MacDonald to sign from the rest of Europe, particularly France. It was one thing to reject the draft Treaty of Mutual Assistance – negotiated by the previous Conservative Government – quite another to reject the Protocol, which had been negotiated under MacDonald's nose, and which followed on the heels of the London conference at which France thought that it had given up a great deal in return for the implicit promise of some kind of security guarantee from Britain. Furthermore, unlike the draft Treaty the Protocol would not come into effect until *after* the successful conclusion of the promised disarmament conference, which was far closer to MacDonald's heart. The possibility of limited sanctions provisions coming into effect after the agreement of a measure of disarmament might have proved acceptable to MacDonald. And in any case, while the Treaty had concentrated almost entirely on sanctions, the emphasis of the Protocol was definitely on arbitration. MacDonald concluded in *Protocol or Pact?* that he had always thought sanctions as being of no importance, "except in so far as their presence on paper is a harmless drug to soothe nerves."[108] Haldane's objection to the Optional Clause should not have proved insurmountable: MacDonald was, after all, a keen advocate of arbitration. Nor was the Optional Clause entirely without supporters within the FO: In July 1924 Cecil Hurst (the FO Legal Adviser) minuted that, on balance, he favoured signing it, perhaps with a reservation about British naval activity.[109] And, as I have already noted, in 1929 Henderson did, in fact, sign the Clause on behalf of the second Labour Government.

MacDonald was certainly not uncritically enthusiastic about the Protocol as a whole: his active support was confined to those provisions concerning arbitration. He never once said explicitly that a Government led by him would sign the Protocol, and in the Commons debate on the Protocol on 24 March he went to great lengths to avoid doing so. But equally he never came close to rejecting it out of hand. In the same debate he said:

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[108] MacDonald, *Protocol or Pact?*.
[109] In TNA FO/371/10,573.

> The advantage of the Protocol over the Pact is that the former gets the nations of Europe into the habit of thinking of arbitration. Give us 10 years of the working of the Protocol, and we will have Europe with a new habit of mind.[110]

I conclude that MacDonald would have been willing to adopt the Protocol in return for a disarmament agreement. It was MacDonald's method to move slowly, attempting to improve the international situation bit by bit, and I think it likely that he hoped the 'weather' would be so improved by the disarmament conference that it would then be possible to revisit the Geneva Protocol, and weaken or excise the provisions on sanctions. This would have done a great deal to remove domestic opposition to the Protocol.

All of this is, of course, simply speculation. The fall of the Labour Government sealed the fate of the Protocol, and though the Conservative Government went through the motions of consultation and discussion, there was little doubt that they would reject it. There was probably little need to reinforce the Government's determination, but if any was needed it came when Austen Chamberlain, the new Foreign Secretary, held a private meeting with Herriot. The French Prime Minister foolishly told Chamberlain that even if the Protocol were accepted by all parties, France would still push for a Franco-British pact.[111] On 17 November Crowe wrote a detailed criticism of the Protocol and concluded that even "an attempt to revise and amend the Protocol ... does not at first sight appear to be a hopeful task". The Colonial Office wrote a memorandum outlining the *likely* objections of the Dominions, implying that the process of consultation with them had not been completed, or necessarily even begun! Despite the objection of Hurst to this apparent sophistry, Crowe and Chamberlain agreed that the memorandum should be put before the CID, which the Government had agreed should consider the Protocol.[112]

The CID swiftly decided that the Protocol in its present form was unacceptable, and appointed a sub-committee chaired by Hankey and including Crowe to

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[110] HC Debates, 24 March 1925, volume 182, col 341.
[111] Record of meeting between Austen Chamberlain and Herriot, 5 December 1924 (TNA FO/371/10,572).
[112] Colonial Office memorandum and the minutes on it are in TNA FO/371/10,571.

consider whether the Protocol could be amended to meet the criticisms levelled at it. The Sub-Committee's report recommended substantial amendment rather than outright rejection, on the grounds that it would be politically unwise to be seen to be disrupting the proposed disarmament conference. The recommended changes were so substantial, however, that they effectively entailed rejection of the Protocol.[113] Austen Chamberlain sent the British note of rejection to the League secretariat on 12 March 1925.[114]

As Winkler has convincingly written the debate within the Labour movement about the Geneva Protocol marked an important stage in the transition from a Labour foreign policy which was based squarely, in the years immediately following the war, on condemnation of the Versailles settlement and an unwillingness to engage with the institutions created by that settlement, to a policy which involved a willingness to use these institutions in order to further Labour aims such as disarmament and the maintenance of peace.[115] By 1929, with Henderson at the Foreign Office and the international situation beginning to darken, Labour pursued a foreign policy which was much more firmly based on support for the League.

Disarmament

To complete this chapter we now turn to MacDonald's attitude to disarmament. MacDonald took the idea of international disarmament very seriously, but the life of the first Labour Government gives us only a few indications of this. He stated shortly after taking office that "the final aim of the Foreign Secretary must be to come to some agreement upon armaments. That is the test of a successful Foreign Secretary."[116] As we have seen, MacDonald thought that only an incremental policy would bring results. What he attempted was the creation of a virtuous circle, in which an improvement in the immediate European situation

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[113] The Sub-Committee recommended the amendment or rejection of 9 of the Protocol's 21 articles. The proceedings of the Sub-Committee are in TNA CAB 16/56.
[114] Statement by the Rt Hon Austen Chamberlain MP on behalf of His Majesty's Government to the Council of the League of Nations, on the Protocol for the Pacific Settlement of International Disputes, 12 March 1925 (Cmd. 2368).
[115] Winkler, *Paths Not Taken.*
[116] HC Debates, 12 February 1924, volume 169, col 772.

would make it possible for states to consider a measure of disarmament and, perhaps, some kind of security agreement, which would in turn further improve relations between nations.

The Government fell from office shortly after the first major success for this strategy: the August London Conference. However, it is noteworthy that the Geneva Protocol, which is usually viewed as a straightforward security agreement, also provided for a Disarmament Conference involving all countries, not just members of the League, which would have had to be successful for the security agreement itself to come into effect. One reason for concluding that MacDonald would have been willing to sign the Geneva Protocol, or something very like it, is that it would only have become operative if there was first an international agreement to reduce armaments. MacDonald was also willing, in his incremental way, to show that he wished to limit armaments. As we have seen in chapter 5, the Government decided to cancel the construction of a new naval base at Singapore, scaled back the naval ship-building programme they inherited from the Conservatives, and restricted the sale of surplus munitions to foreign countries. The fact that MacDonald did not immediately slash British military expenditure and then seek international agreement for other countries to do the same (as some of the Labour party's supporters advocated) should not, therefore, be taken as a sign that MacDonald was not sincere in the pursuit of disarmament. He would have attempted to proceed further, through the medium of the proposed disarmament conference, if he had remained in office.

Chapter 7 – Russian policy

It is apt that the events in the final core chapter of this thesis span the life of the Government. Relations with Russia provided the Labour Government with its first controversy: diplomatic recognition of the Russian communist regime. They also provided the *cause* of the Government's downfall, in the Russian treaties; the *occasion* of its downfall, in the bungled Campbell prosecution; and its defining motif, in the notorious Zinoviev letter. Each of these themes is examined in turn.

1. Re-establishment of diplomatic relations with Russia

Labour took office on 23 January. Just 8 days later, MacDonald issued a note recognising the Bolshevik Government as *de jure* rulers of Russia. It is true that Labour's election manifesto had promised the resumption of diplomatic relations with Russia, but no other manifesto promises were implemented with such alacrity. Why, then, were relations with Russia accorded such a high priority, and why did Labour subsequently go to such lengths to negotiate a controversial treaty with the country?

MacDonald and the Labour party had long been critical of the failure of the Russian policy of successive governments. On 15 May 1923 MacDonald described the attempt by the Coalition to break Soviet power as "nothing but absolute, nothing but complete, nothing but unmitigated, failure."[1] In November 1923 he castigated the Conservatives' policy as "nerveless, and ... blundering."[2] MacDonald had little time for the Bolsheviks – he was far from being a revolutionary socialist – but he could see no point in demonising them. He thought that the best way to manage the Bolsheviks was to introduce them to the realities of the world outside Russia. There was also thought to be a connection with domestic policy: increasing international trade would reduce

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[1] HC Debates, 15 May 1923, volume 164, col. 282.
[2] HC Debates, 15 November 1923, volume 168, col. 496.

unemployment, and it was hoped that the resumption of diplomatic relations would increase trade with Russia, and so boost British exports.

In addition, there were party political advantages. Although MacDonald himself was unenthusiastic about the Russian experiment, many on the left of his party were, and recognition was a simple radical move which would please his supporters and show that Labour intended to pursue a distinctive foreign policy. Finally, there were solid practical considerations. Since the end of the war two issues had remained unresolved between the two countries. First, from the outbreak of war until the October revolution the British Government had made loans to the Russian Government, now worth a total of around £650 million. Second, during their nationalisation programmes the Bolsheviks had taken over, without compensation, a large number of British interests. The owners of those interests demanded compensation totalling £300-350 million. The absence of formal diplomatic relations between the two countries had made it virtually impossible to conduct negotiations to secure the repayment of these debts.

Even before he took office, MacDonald had established friendly relations with Christian Rakovsky, the leader of the Russian trade delegation in Britain. On 11 January Rakovsky wrote to MacDonald that he welcomed with "joy" Labour's desire to "make mutual confidence and equality the basis of relations between their country and Russia". MacDonald replied in a similar vein, adding that he desired "to bring in to diplomacy the same sense of moral fair play as animates the ordinary decent man in his private conduct."[3]

On becoming Foreign Secretary MacDonald was presented by the Foreign Office with a great deal of information on Russia and the issue of recognition, most of it factual and weighing both the advantages and drawbacks,[4] but some of it striking a decidedly negative tone. In particular, despatches from RA Hodgson (head of the British trade delegation in Russia) cast doubt on the

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[3] Rakovsky to MacDonald, 11 January 1924 and MacDonald to Rakovsky, 12 January 1924 (TNA FO/371/10,519).
[4] For example, memorandum by JD Gregory, 20 January 1924 (TNA FO/371/10,464).

trade advantages of resuming diplomatic relations, given the country's parlous economic and financial position, an argument which was reinforced by Snowden who sent MacDonald a Treasury memorandum deriding the idea that recognition would have any significant effect on trade.[5] In public, *The Times* also appealed to the Government not to recognise the Russian Government immediately, but to use it as a bargaining counter while negotiating for settlement of the British claims against Russia.[6]

As we have seen, however, MacDonald's main motives for recognition were not economic, but political and symbolic, and his resolve was probably strengthened by another piece of intelligence provided by the Foreign Office: that Mussolini's Italian Government was threatening to steal MacDonald's thunder and become the first major European government to establish formal relations with Russia.[7]

MacDonald made his decision without consulting Cabinet ministers. There was a desultory discussion of the issue at a Cabinet meeting on 28 January, but it was only after the 28 January meeting that MacDonald announced to Ministers, in writing, that he intended to issue a note of recognition and inviting comment. The strategy was intended to minimise the chances of a row, though the responses from Cabinet Ministers were in any case generally supportive.[8]

Gwen Carter has claimed that MacDonald failed to inform the Dominions in advance about his decision to recognise Russia. The evidence shows this claim to be wrong: in fact, the Dominions were alerted, if not given time to respond, on 30 January, two days before the note was issued. Despite prior warnings

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[5] Hodgson to Curzon, 11 and 18 January 1924 (TNA 30/69/104); and Snowden to MacDonald, 28 January 1924 (TNA FO/371/10,519).
[6] *The Times*, 26 January 1924.
[7] Crewe (British Ambassador to France) to Curzon, 27 December 1923 (TNA FO/371/10,464) and Peterson (acting Chargé D'Affaires in Prague) to Curzon, 1 January 1924 (DBFP, volume XXVI, p 1). In the event, Mussolini did not take kindly to being "dished", and caused a minor diplomatic incident (C P Scott diary 3 February 1924 in Wilson (ed), *Diaries of CP Scott*; and despatch from Sir R Graham to MacDonald, 5 February 1924 (TNA FO/371/10,465).
[8] Cabinet conclusions 8(24), 28 January 1924; for responses by Cabinet Ministers see, for example, Sidney Webb to MacDonald, 30 January 1924; CP Trevelyan to MacDonald, 30 January 1924; William Adamson to MacDonald 31 January 1924; Lord Parmoor to MacDonald 1 February 1924 (all in TNA FO/371/10,465).

from the Colonial Office that the Dominions were likely to oppose the policy, there was no outcry and information collected by the Foreign Office in the course of 1924 indicates that the Dominions were broadly content with the move.[9]

The British note of recognition declared that the British Government recognised "the Union of Soviet Socialist Republics as the *de jure* rulers of those territories of the old Russian Empire which acknowledge their authority". It added "Technically unconnected with recognition, but clearly of the utmost importance, are the problems of the settlement of existing claims by the government and nationals of one party against the other, and the restoration of Russia's credit", and invited the Russian government to send representatives to Britain to discuss these and other matters.[10]

It was mutually agreed that at this stage the two countries would only appoint diplomats with the rank of Chargé D'Affaires, who were inferior in rank to Ambassadors and need not therefore be presented to heads of state. This delicate compromise, brokered largely by Crowe, avoided the need to invite King George V to shake hands with a representative of the government which had executed his Russian cousins. The respective leaders of the trade missions, Sir Robert Hodgson and Rakovsky, were simply promoted in post.

There were some adverse comments in the non-Labour press and from the Opposition, but the policy had been so clearly flagged up in Labour's manifesto, and its practical effects were so slight, that in general criticism was muted.[11] Of far more importance would be the outcome of the proposed negotiations between the two countries, and it is to these that attention soon turned.

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[9] Carter, *ibid*, p 91; Telegram to Dominion Governments, 30 January 1924 (TNA FO/371/10,464); and "The position of the Dominions in relation to Russia", 27 November 1924 (Cabinet Paper 511 (24)).
[10] From TNA FO/371/10,503.
[11] For criticism, see for example *The Times*, 2 February 1924.

2. Negotiations for an Anglo-Russian treaty

Soon after the formalities of recognition were completed, MacDonald wrote to Rakovsky setting out the main subjects for negotiation:

- treaties which required revision (essentially, this was a tidying up exercise);
- inter-governmental debts (including pre-war and wartime loans by Britain to Russia, and Russian counter-claims against Britain for the damage caused by their support of the "Whites");
- the claims of British subjects against the Russian Government; and
- "determination of means for the restoration of Russia's credit in Great Britain."[12]

For the Russians, the last point was crucial. Having already achieved recognition by a major foreign power they now hoped to obtain financial assistance with which to import machinery. At first attention centred on the extension to Russia of the Export Credits and Trade Facilities Act, which would have given financial protection to companies exporting to Russia. However, while preparations for the negotiations were made in February and March, Rakovsky made it clear in public speeches that Russia would be pressing for a loan, guaranteed by the British government, as the price of discussing the settlement of the British claims against Russia.[13]

The Anglo-Soviet Conference began in London on 14 April. The Russian delegation were late; a foretaste of the painfully slow progress thereafter. MacDonald made the opening speech of the Conference, but then turned the negotiations over to Ponsonby. Ponsonby's task was made more difficult by his lack of a clear negotiating mandate, which meant that he was later forced to return to MacDonald and Snowden in order to discover how much he was permitted to concede in order to reach a settlement.

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[12] MacDonald to Rakovsky, 11 February 1924 (TNA 30/69/104).
[13] Lyman, *First Labour Government*, p 188.

MacDonald's opening speech was overshadowed by the presentation to him of a note prepared by British bankers outlining what Russia would have to do to restore its creditworthiness. This was portrayed by left-wing Labour MPs as an attempt to sabotage the negotiations at the outset, but its delivery (if not the fact that it was made so publicly) was unsurprising, given that any loan to Russia would have to come from these financial institutions.

The negotiators' work was hampered by both external and internal factors. Externally, the negotiations took place against a background of mutual suspicion and recrimination, with criticism of the Russians coming from the Conservative party in the Commons and sections of the British press, and Russian propaganda against Britain continuing apace.[14] The British Government even discovered that the Russians were attempting to recruit as spies Russian visitors to the British trade delegation in Moscow![15] The Association of British Creditors also kept up the pressure on the Government, and at one point sought independent representation at the Conference. The Government turned down this request, as well as a similar one from the TUC.[16]

From the inside, Ponsonby felt that he was undermined by Eyre Crowe. Crowe strongly opposed the negotiations and did not bother to hide it, either from MacDonald or Ponsonby, leading Ponsonby's biographer to describe Crowe as "a traditional conservative-nationalist-establishment figure who found his Labour Party Ministers only slightly less disagreeable than the Bolsheviks."[17] It was even suggested by the pro-Russian wing of the Labour party that the Foreign Office was sabotaging the Conference, and WP Coates proposed that the Government should replace the permanent officials involved with sympathetic Labour men such as AA Purcell, a left-wing Labour MP and

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[14] For Conservative criticism see, for example, Major Kindersley's protest against the inclusion of Theodore Rothstein in the Russian delegation (HC Debates, 7 April 1924, volume 172, col. 19). For the British press, see for example *The Times*, 4 July 1924. For the voluminous Russian propaganda see, for example material in TNA FO/371/10,478.

[15] Various despatches from Hodgson to MacDonald, dated May and June 1924 (TNA 30/69/104). Recent research also indicates that Rakovsky was involved in the organisation of Soviet espionage work in Britain (Victor Madeira, "Moscow's Interwar Infiltration of British Intelligence, 1919-1929", *Historical Journal*, 46(4) (2003), p 923).

[16] The requests, and the responses to them, are contained in TNA FO 371/10,503.

[17] Jones, *Arthur Ponsonby*, p 146.

Chairman of the TUC.[18] At one point in the negotiations Ponsonby himself wrote "All the time I have to consider ... how far my experts are taking an unnecessarily hard line [and] how far their warnings are just."[19]

While it is true that the prevalent view of Russia within the Foreign Office was one of suspicion, during the negotiations Ponsonby enjoyed good relations with JD Gregory, who as the head of the FO's Northern Department took a leading part. There is no evidence of sabotage of the negotiations while they were underway, and it seems closer to the truth that some of the FO officials, lacking sympathy for the Government's aims, failed to apply themselves as diligently as their position demanded in order to reach an agreement with the Russians (in contrast, for example, to Hankey's indefatigable work at the July London conference). The available evidence suggests that the permanent officials were animated by the same basic consideration as Ponsonby and MacDonald: not ideological sympathy for, or animosity towards, Russia; but a desire to achieve the best outcome for Britain. In this way some officials (not Crowe), argued that the best results for Britain could be obtained by engaging with Russia.[20] However, the fact remained that Ponsonby found it difficult to lead the FO mule in a direction it did not really want to go.

It was easy to see why the enthusiasts for a settlement thought they detected deliberate sabotage. The negotiations dragged on, and off, for four dreary months. As early as 2 May *The Times* criticised the lack of information being provided, particularly, it noted cruelly, given that Mr Ponsonby was "an ardent advocate of open diplomacy". In truth, there was little to report, though on 28 May the two sides issued a terse statement claiming that they were making "considerable progress".[21] By 9 June MacDonald too had lost patience and asked Ponsonby to bring the negotiations to a close.[22] Ponsonby simply ignored this request and plodded on.

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[18] WP Coates, Secretary of the Hands off Russia Committee, in *Forward*, 17 May 1924 (from Lyman, *First Labour Government*, p 193).
[19] Ponsonby to his wife, 20 May 1924 (in Jones, *Arthur Ponsonby*, p 147).
[20] For example, Memoranda by Owen O'Malley dated 22 December 1923 (TNA FO/371/10,465) and JD Gregory dated 28 July 1924 (TNA 30/69/106).
[21] *The Times*, 2 and 28 May 1924.
[22] Jones, *Arthur Ponsonby*, p 147.

At last, on 18 July Ponsonby informed the Cabinet that the outline of an agreement had been reached, in the form of a commercial treaty and a general treaty. The general treaty would, in essence, be an agreement to agree. Russia would admit, in principle, the claims of British creditors, and would negotiate directly with them. When and if there was a settlement acceptable to holders of more than half of the total value of the claims, there would be a further treaty including both the settlement and an undertaking by the British government to recommend that Parliament guarantee a loan to Russia. Ponsonby argued that the Cabinet should authorise this guarantee, without which the City would refuse to make the loan, meaning that there would be no agreement. He asserted that the breakdown of the negotiations would mean the loss of "a great chance of conciliation" in Europe and would "be resented very bitterly by the Party". Gregory also defended the proposal to the Cabinet, arguing that the draft treaties would simply involve Russia admitting liability *in principle*, and the British Government admitting the *principle* of a secured loan: "we are in no way committed, unless we get complete satisfaction."[23]

Snowden was not impressed. At Ponsonby's suggestion, he went to see Rakovsky to discuss the financial elements of the proposal. This proved to be unwise of Ponsonby, as Snowden told Rakovsky that he thought the draft treaty "entirely unsatisfactory", and that "in my personal opinion no Government could take the responsibility of presenting to Parliament such a document."[24]

The showdown came on 30 July, when Ponsonby attended Cabinet for the only time. During the long debate, which constituted one of the Cabinet's few serious discussions of foreign policy, Ponsonby defended his memorandum and spoke in favour of a loan. Snowden argued against on the grounds that the treaty would not settle the outstanding debts but would include "embarrassing" statements of the lines along which the debts would have to be settled. Using information provided by the Treasury, he also rubbished the idea that there was

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[23] Memoranda by Ponsonby dated 21 July 1924 (written 18 July) and Gregory, 28 July 1924 (both TNA 30/69/106).
[24] Memorandum by Snowden, 28 July 1924 (Cabinet Paper 415 (24)).

any prospect of higher exports to Russia reviving British trade or alleviating unemployment. The matter was pushed to a vote, with Snowden, Josiah Wedgwood, Lord Olivier and Lord Haldane voting against the loan, but with the majority approving Ponsonby's proposal that the negotiations should proceed along the lines that, if a satisfactory settlement was reached with the British bondholders, the Government should recommend that Parliament guarantee a loan.[25]

When Rakovsky returned from a visit to Russia on 4 August, the negotiations drew to their chaotic close. First, on 5 August, came news that the Conference had broken down. Snowden, chairing the Cabinet while MacDonald attended the London Conference, and presumably smiling broadly, broke the news to the Cabinet, and a press communiqué was issued.[26] Despite British willingness to guarantee a loan, the negotiations had broken down over the precise terms of compensation for British former owners of Russian nationalised property. The Russians were willing to settle with the British claimants, but in doing so were anxious not to cast any doubt on the validity of their 1918 nationalisation decrees.

On hearing of the breakdown, six Labour MPs including ED Morel and AA Purcell rushed to see Ponsonby at the Commons, and gained his permission to consult directly with the Russians. For the rest of the day, and the next morning, these and other Labour MPs shuttled between the Russian delegation and the British, and finally at 2.45 pm on 6 August a new formula was agreed.[27] At 7.30 pm Ponsonby announced to the Commons that the two treaties had been agreed. In accordance with Labour's new "Ponsonby" rule (see page 256), the Commons would have 21 days in which to consider the treaties before the Government signed them.

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[25] Cabinet conclusions 44(24), 30 July 1924; Jones, *Arthur Ponsonby*, p 148; Cross, *Philip Snowden*, p 210.
[26] Cabinet conclusions 47(24), 5 August 1924.
[27] Account taken from *Forward*, 23 August 1924 (from Lyman, *First Labour Government*, p 193), which is supported by Webb, "The First Labour Government", p 27.

In the commercial treaty the two countries would confirm mutual most favoured nation status; Britain would extend the export credits scheme to Russia; and, unusually, the members of the Russian Trading Mission in Britain would be given diplomatic immunity.[28]

The general treaty contained less of definite substance, but its generalities proved far more controversial. As proposed by Ponsonby in July, the Russians granted in principle the claims of British creditors, but only as an exception to the confiscation decrees of 1918, the validity of which were not therefore brought into question. The claims would be assessed by a commission comprising three representatives from each country; and their findings would be embodied in a later treaty, provided that the plan proved acceptable to the holders of at least half of the value of the claims. When and if agreement was reached, the British Government undertook to recommend that Parliament guarantee a loan to Russia, with the later treaty to determine the size and terms of the loan, including the purposes to which it might be applied. The Russian debt to the British Government and the Russian counter-claims were simply held over to a later date, as were the claims of British subjects who had suffered loss of or damage to property since the revolution.[29]

Ponsonby immediately ran into difficulties in the Commons. All afternoon rumours had flown around Westminster that the Government had been blackmailed into making a deal by its left-wing, and had in a panic agreed to guarantee the loan to prevent a back-bench rebellion. Copies of the two treaties were not even available for Members and Ponsonby himself, exhausted, spoke poorly.[30]

The Conservatives, who had denounced the negotiations with the Bolsheviks, denounced the treaties with equal vigour, and claimed that the Labour dog was being wagged by its Bolshevik tail. Ronald McNeill complained that the Foreign Secretary was not presenting the treaties to the House in person (MacDonald

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[28] Treaty of Commerce and Navigation with Russia (Cmd. 2261).
[29] General Treaty with Russia (Cmd. 2260).
[30] HC Debates, 6 August 1924, volume 176, cols 3012-3021.

was in the middle of the London conference), and claimed, with no constitutional justification whatsoever, that Parliament should have debated the treaties before the Government had signed them. This was nonsense, as signature was simply an initial step which was distinct from ratification, and the Government had already made it clear that they were more serious about permitting Parliamentary control of treaties than any previous government (chapter 6). Nonetheless, MacDonald was forced to devote most of his statement to the House the next day to refuting the claim (a task he perhaps found more congenial than defending the detail of the treaties). Moving to the substance of the treaties, McNeill argued that there should be no guaranteed loan, and that the provisions for the settlement of the claims against Russia were inadequate. The Russian leaders, he declared, "we regard with utter detestation, and all their methods". He concluded with a question which came to dominate the debate on the treaties: how had the negotiations been rescued only hours after it had been announced that they had broken down?[31] *The Times* noted acidly: "seldom, if ever, has 'secret diplomacy' effected such a revolution so astonishing."[32]

The debate played out in microcosm the key question of British foreign policy towards Russia in the inter-war period: should Britain, as Labour tended to argue, attempt to engage Russia in dialogue in the hope that contact with the outside world would temper the hardline outlook of the Bolshevik leaders; or, as the Conservatives maintained, was it necessary for the Bolsheviks first to moderate their behaviour before they could be admitted to the international community of nations?[33]

The Government did not need Parliamentary approval to sign the treaties, but they had already promised that in future treaties would lie before Parliament for 21 sitting days before ratification, in order to allow proper Parliamentary scrutiny. The Government could not, therefore, ratify the treaties at once and hope that the Parliamentary furore would die down over the long Parliamentary

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[31] HC Debates, 6 August 1924, volume 176, col 3021.
[32] *The Times*, 7 August 1924.
[33] This overarching analysis, which I find convincing and helpful, is taken from Sir Curtis Keeble, *Britain and the Soviet Union 1917-1989* (London: Macmillan, 1990).

summer recess. It was certain that there would be a Commons debate on the treaties when Parliament reassembled in the autumn. Given the Parliamentary arithmetic the attitude of the Liberals would be crucial. However, on this as on so many other issues, the party was itself divided. Lloyd George was the architect of rapprochement with the Bolsheviks, and in 1921 had had to overcome Cabinet opposition to secure the limited trade treaty with Russia. But he was not a man to overlook a tactical opportunity, and sensing a weakness he denounced the treaties as "a fake ... a contract in which the space for every essential figure is left blank."[34] At first the Liberal press tended to a moderate, 'more in sorrow than in anger' line. The *Daily News*, for example, pointed out that while they were not perfect, the treaties did represent a genuine attempt to end the atmosphere of suspicion and hatred between the two countries.[35] However, by the time the Commons reassembled on 30 September to consider the Irish boundary question, it was clear that Lloyd George had triumphed and that the majority of the Liberals would oppose the Government's Russian policy, Asquith having described the negotiations as a "crude experiment in nursery diplomacy".[36]

Given that the only concrete effects of the treaties were the extension of the export credits scheme to cover Russia, the granting of diplomatic immunity to the Russian Trading Mission in Britain, and the arrangement of further negotiations on the claims of British creditors, the outcry was little short of astonishing. The cumulative effect of the "if you do this, we will do that" provisions in the treaty was simply that Labour had attempted to buy a settlement of the claims of British creditors with the promise of a secured loan. The British and Russian governments understood (though the point was never properly explained to those outside the negotiations) that the loan would be around £30 million, and that a majority of it would be spent in Britain, so that

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[34] HC Debates, 6 August 1924, volume 176, col. 3031.
[35] Daily News, 8 August 1924 (from Lyman, *First Labour Government*, p 200).
[36] From Gill Bennett, *'A most extraordinary and mysterious business': The Zinoviev Letter of 1924* (Foreign and Commonwealth Office, History Notes No. 14, February 1999), p 9.

even if it were not repaid it would at least be spent on stimulating British industry.[37]

On 9 September Sir Henry Slesser, the Solicitor-General, wrote to *The Times*, reiterating that the loan was "entirely conditional on the precedent signature of a second treaty", and pointing out that "no British Government since the revolution has ever obtained such far-reaching recognition of liability to British subjects". He listed four possible policies towards Russia: to finance counter-revolution (the "Coalition method"); to ignore it (the "Curzon method"); to give assistance with no protection for British interests (the "Bolshevist method", or what the Government's opponents had claimed was its method); or the real Labour method – to obtain a Russian admission of liability, to settle British claims, and only then to help Russia to raise a private loan. Slesser challenged anyone to propose a better policy, but *The Times*' response the next day could only repeat its criticisms of Labour's policy, and did not offer an alternative.[38]

3. Campbell case

The fight to save the Russian treaties alone threatened the survival of the Government, but when the Commons returned on 30 September (to legislate for an emergency which had arisen over the settlement of the boundary between the Irish Free State and Northern Ireland), another front – the "Campbell case" – was opened up. The Campbell case was not strictly a part of the Government's foreign policy, but the finale to the Russian treaties cannot be understood without also examining the Campbell case.

On 5 August the editor of the Communist *Workers' Weekly*, John Ross Campbell, was arrested and charged under the Incitement to Mutiny Act 1797 with having "feloniously, maliciously, and advisedly endeavoured to seduce divers persons unknown, then serving in His Majesty's Navy, Army and Air Force, from their allegiance to His Majesty". His alleged crime was to have

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[37] Rakovsky to Ponsonby 4 June 1924, in Medlicott, Dakin and Bennett (eds), *Documents on British Foreign Policy 1919-1939* (1984), p 534 (hereafter referred to as DBFP, volume XXV); and Ponsonby memorandum, 21 July 1924 (TNA 30/69/106).
[38] *The Times*, 9 and 10 September 1924.

written an article in the *Workers' Weekly* calling on members of the armed forces to "let it be known that neither in the class war nor in a military war, will you turn your guns on your fellow workers."[39] This article, together with another similar one, was sent by several army officers to the Home Secretary, who forwarded it to the Director of Public Prosecutions, who was instructed to prosecute by the Attorney-General, Sir Patrick Hastings. Angry Labour MPs asked questions about the arrest in the Commons on 6 August, Maxton stating that the views expressed in the article were held by a great many Labour MPs.

On 13 August, the prosecution was withdrawn. In a statement which became notorious, the Treasury Counsel Travers Humphreys stated that:

> It has been represented that the object or intention of the article in question was not to endeavour to seduce men in the fighting forces from their duty and allegiance, or to induce them to disobey lawful orders, but that it was comment upon armed military force being used by the State for the suppression of industrial disputes.[40]

This begged the question of who, exactly, had made the representation. *The Times* claimed that, if the representations had been made by a Minister, then the Executive was guilty of gross interference with the judicial process. Even the Communist party disowned the unfortunate lawyer's words, issuing a statement denying that the article was political comment – it was intended to be read literally – and that "Campbell's defence was justification". It went on to claim that senior Labour party figures such as MacDonald, Henderson and Clynes would have been called to testify that they had made similar comments in the past; and that the withdrawal of the prosecution "was made on the sole responsibility of the Labour Government under severe pressure" from Labour MPs.

At the first Parliamentary opportunity; the emergency 30 September sitting, the Conservative Kingsley Wood asked two private notice questions. First, he asked Hastings why the charges against Campbell had been withdrawn, and whether he had received any representations prior to the withdrawal. Hastings

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[39] From Marquand, *Ramsay MacDonald*, pp 364-5.
[40] From *The Times*, 15 August 1924.

answered that he had instructed the prosecution to be withdrawn because enquiries had revealed that Campbell's character and responsibilities were such that a prosecution might fail, and concluded that he had received "no representation of the sort suggested in the question."[41] A debate arose on the question, and Baldwin requested that a day be set aside to debate the matter when the House returned in October. MacDonald, his passions obviously aroused, declared that he would rather not wait until then, and proposed that a debate be arranged for the next week.

Then Wood put a question to MacDonald himself, asking whether he had given or sanctioned any directions to withdraw the prosecution; and whether he had received any intimation that he would be required to give evidence at the trial. MacDonald's reply is worth quoting in its entirety:

> I was not consulted regarding either the institution or the subsequent withdrawal of these proceedings. The first notice of the prosecution which came to my knowledge was in the Press. I never advised its withdrawal, but left the whole matter to the discretion of the Law Officers, where that discretion properly rests. I never received any intimation, not even a hint, that I should be asked to give evidence. That also came to my attention when the falsehood appeared in the Press.[42]

MacDonald's reply was succinct and unequivocal. It was also untrue. On hearing it Maurice Hankey exclaimed "That's a bloody lie!"[43]

So what exactly had happened? The actual sequence of events leading to the withdrawal of the prosecution is somewhat muddled, with most of the key conversations being compressed into the afternoon of Wednesday 6 August. It seems reasonably clear that Hastings was surprised by the sentiments expressed by back-bench Labour MPs in the Commons that day. Several years later Emanuel Shinwell recalled that Hastings was "flabbergasted" by their reaction[44]. Hastings therefore sent for Maxton, and learnt from him that

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[41] HC Debates, 30 September 1924, volume 177, col 10.
[42] HC Debates, 30 September 1924, volume 177, col 16.
[43] Roskill, *Hankey: Volume 2*, p 376.
[44] Slowe, *Manny Shinwell*, p 130. Shinwell, sitting next to Hastings on the Treasury bench, further wound the Attorney-General up by agreeing that the prosecution was politically inept, and telling him that he was a "typical lawyer – people like you never get on very well in politics".

Campbell had fought throughout the war, had lost both feet, and been decorated for gallantry. Furthermore, Campbell was only the acting editor of the paper[45]. Hastings then saw the Assistant Director of Public Prosecution, who confirmed Maxton's story. This conversation took place in MacDonald's room at the Commons. According to Hastings, MacDonald arrived towards the end of it and commented that he thought the prosecution had been ill-advised from the start. Then, a Cabinet meeting began at 6 pm, the minutes of which stated that Hastings:

> took full responsibility for proceedings with the case .. but inasmuch as it transpired that the person charged was only acting temporarily as Editor and was prepared to write a letter to that effect steps could be taken not to press the prosecution in the circumstances ... if the Cabinet so desired.

After "considerable discussion" of how the prosecution had been initiated without the knowledge of the Cabinet, it was agreed:

> a) that no public prosecution of a political character should be undertaken without the prior sanction of the Cabinet; and
>
> b) that in the particular case under review the course indicated by the Attorney-General should be adopted.[46]

The account in the Minutes is qualified by two other pieces of evidence. First, the original notes made by Tom Jones (who was acting as Cabinet Secretary in the absence of Hankey at the London Conference) during the meeting are ambiguous, but do record a long, rambling discussion involving several Ministers. At one point MacDonald is recorded as saying: "I'd rather go through once started than show white feather" but "If put to me [in the first place] I should not have sanctioned it". A little later Hastings said: "Man arrested prepared to write letter to say he was only few days", and towards the end he added: "I'll accept his letter – reply being we had to take cognisance

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[45] Brown, *Maxton*, p 163. McNair implies in *James Maxton – The Beloved Rebel* that Maxton sought Hastings out and browbeat him into withdrawing the prosecution (London: George Allen & Unwin, 1955), p 135, but Brown's book is generally more objective. For example it does not begin by declaring, as does McNair's, that Maxton was "the greatest Scotsman so far this century".

[46] Cabinet conclusions 48(24), 6 August 1924, item 5.

reluctantly."[47] The notes therefore imply that MacDonald and other Ministers originally wished to continue with the prosecution, but agreed that it could be withdrawn if Campbell was willing to write a letter which could be taken as a letter of apology. Second, MacDonald examined the Minutes on 22 September and informed Hankey that he thought that they were not an accurate record of what had happened at the Cabinet meeting, particularly in relation to conclusion b), which was not actually a Cabinet decision but general concurrence by Ministers with the course of action decided on by the Attorney-General. He accepted that he had seen the Minutes in draft on 7 August, but said that he had been immersed in the London conference at the time and had had no time to consider them.

The evidence is therefore unclear as to whether the decision to withdraw the prosecution was made by Hastings or the Cabinet. What is not in doubt is that on 6 August MacDonald had discussed the withdrawal of the prosecution not just once but twice: first in his room with Hastings and the Assistant DPP, and second at Cabinet. He had therefore misled the Commons in the first, and possibly the third, sentence of his statement to the Commons on 30 September. According to his diary MacDonald's attention was drawn to this mistake by the Lord Advocate two days later.[48]

The debate on the Campbell case was arranged for 8 October. MacDonald's serious blunder meant that he would have to pre-empt the debate with an apology for misleading the House. The debate itself would be based on a motion of censure tabled by the Conservatives, to which the Liberals had moved an amendment to strike out any reference to censure, but instead to call for the creation of a select committee to investigate the matter. The attitude of the Labour party began to harden, and on 5 October MacDonald declared in a public speech that "the Select Committee to which he would appeal would not be members of the House of Commons but 20 million electors."[49] The next day the Cabinet agreed to treat both the Conservative and Liberal motions as

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[47] "Copy of rough notes made by Mr T Jones at the meeting", attached to Cabinet conclusions 48(24)
[48] MacDonald diary, 2 October 1924.
[49] *The Times*, 6 October 1924.

matters of confidence in the Government: in other words, if they were defeated on either, they would resign and call an election.[50]

MacDonald's statement on 8 October was a convoluted affair. He claimed that Wood's snide question had concentrated his mind on his own personal conduct, and therefore in his answer he had:

> used an expression which ... went a little further than I ought to have gone, because it implied not merely that I, as a person, was either approached by the Attorney-General or approached the Attorney-General for personal reasons - a thing I had repudiated hotly - but it also implied that I had no cognisance of what was going on. I am very sorry. I did not mean to imply that ... The matter was talked about when no personal considerations were in our minds at all.[51]

Horne then led the debate for the Conservatives, and argued that the Government had clearly interfered in a decision which should have been left entirely to the discretion of the Attorney-General. He implied that the Government was either being run by, or was running scared of, its left wing. Sir John Simon then proposed the Liberal amendment. Although this was intended to be a compromise between the opposing positions of the Government and the Conservatives, Simon's speech was far more personally vitriolic than Horne's, and he first insinuated that MacDonald had secured the withdrawal of the prosecution in order to avoid an unwelcome appearance in the witness box, and then suggested that the prosecution had been scrapped in order not to endanger the Anglo-Russian treaties.

Hastings did a very good job in his speech of answering Horne's central contention: that Ministers should have had no role whatsoever in the prosecution. He began by reading out a letter written on 31 January 1919 by the then Attorney-General Gordon Hewart, which stated that in a prosecution for sedition the question is one of policy, which was for the Home Secretary to decide in the first instance. This showed that in political prosecutions, it could be justified to seek the advice of Ministers on the political implications of a

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[50] Cabinet conclusions 52(24), 6 October 1924.
[51] HC Debates, 8 October 1924, volume 177, col 513.

prosecution. He then gave a version of the events of 6 August, explaining that after the exchanges in the Commons he had sent for Maxton and learnt of Campbell's outstanding war record, and the fact that he was only acting editor of the paper. In such circumstances, he continued, a prosecution might founder, and would certainly provide the Communist party with unwelcome publicity. He therefore saw the Assistant Director of Public Prosecutions and instructed him to withdraw the prosecution. This meeting took place in MacDonald's room in the Commons, and MacDonald joined them towards the end of it. That same night, Hastings concluded, he had attended Cabinet, and while he could not discuss exactly what had transpired at the meeting, it did not of course result in any change in the decision he had already made to withdraw the prosecution.[52]

Hastings' account of events does not entirely tally with the evidence already outlined (in particular, it does not reflect the extent to which Hastings offered to modify his course of action "if the Cabinet so wished"), but the differences are more of emphasis than of hard fact. Stripping out MacDonald's lie to the Commons, for which he apologised, the central question was: was it legitimate for Hastings to consult Ministers about the prosecution, or, as the Conservatives, argued, should there have been no contact? On this question the Government were surely on strong ground. Hastings had already shown that previous Attorney-Generals had thought that cases with political implications should be discussed with those best placed to understand those implications: Ministers. Even *The Times* seemed to admit that it could be appropriate to consult Ministers about the initiation of a prosecution (if not the abandonment of one), stating on 11 October that it was "not a question whether it was right on political grounds to *initiate* a prosecution in which certain considerations of political expediency were involved": the question was why the prosecution was *withdrawn* (my italics in both cases). The only way in which the Cabinet had perhaps erred in this respect was in giving their "advice" to Hastings very forcefully at the 6 August Cabinet, allowing rumours to spread that they had instructed him to withdraw the prosecution.

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[52] HC Debates, 8 October 1924, volume 177, cols 596-619.

The Government's opponents claimed that the Ministers should not have intervened at all. But behind this central point lay the secondary considerations: what were the Ministers' motives? Had they, as alleged by Simon, tried to scotch the prosecution in order to save the Russian treaties? This seems unlikely in the extreme. The Labour party had agreed only a day before the Campbell case debate to refuse the application of the Communist party for affiliation and to ban members of the Communist party from standing as Labour candidates for Parliament or even being members of the Labour party. These were not the actions of a party desperate to avoid offending Russia by moving against British Communists. Alternatively, had the Ministers been forced to act by their back-benchers, just as opponents alleged they had been forced by the back-benchers to make concessions over the Russian treaties? Again, the notes of the Cabinet's meeting on 6 August do not bear this out: what seems to have been in the minds of Ministers was that the prosecution was politically inept and could not hope to serve any useful purpose, for example MacDonald's statement that: "if put to me I should not have sanctioned it. I know the men and the game. Now in press and House of Commons."[53] Finally, in answer to Simon's other claim, there is nothing to show that MacDonald knew anything about the prosecution until 6 August, and nothing to indicate that he heard during the course of the day that the Communists intended to summon him to the witness stand.

If the Government was on such strong ground, why did they fight the Liberal proposal to appoint a select committee so hard? First, the Ministers had accounted for their behaviour before the House of Commons, and even at the end of the debate on 8 October Jimmy Thomas offered to provide any further information, including "political" information, that might be requested. As the Government claimed to have explained exactly what happened, it would be difficult for them to agree to a further stage of enquiry, whatever its composition, without seeming to admit that they had withheld relevant information, and that there was more to come out. For this reason the Cabinet

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[53] Notes by Jones, attached to Cabinet conclusions 48(24).

had rejected Hastings' suggestion on 6 October that they might agree to an enquiry carried out by a senior judge, and then decided in an emergency session in the evening of 8 October to reject Asquith's last minute peace offer, under which the Liberal places on the proposed select committee could be taken by Labour MPs.[54]

There were also other factors which were nothing to do with the Campbell case. As his diary makes clear, MacDonald was overtired by the burdens of two offices. He reacted badly to the personal criticism levelled against him during the Campbell debates and the Grant affair,[55] and was also fed up with the criticism of the Government from within the Labour party. The wider party had also soaked up a deal of criticism over the Russian treaties, and most of its members were spoiling for a fight. Several Ministers, including especially MacDonald, had come during the 1924 Parliament to loath the Liberals – a "contemptible coterie"! – and were determined not to let them appear the impartial arbiters between Labour and the Conservatives. As far back as 26 September he had written: "the attack on the Russian treaties looks less and less honest as one considers it. I am inclined to give the Liberals an election on it if they force it."[56]

In the event, the Government's fate was sealed when Baldwin announced that the Conservatives would vote with the Liberals in favour of the establishment of a Select Committee. The Liberal amendment was carried by 364 votes to 198, and the Government resigned the next day.

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[54] Cabinet conclusions 52 and 53(24), 6 and 8 October 1924 respectively.
[55] The "Grant affair" blew up in the summer of 1924, when MacDonald was accused of rewarding Alexander Grant, a benefactor of who had earlier in 1924 given him the means to run a motor car, with a baronetcy. The baronetcy was, in fact, a deserved recognition of Grant's philanthropic work, and the impetus for it did not come from MacDonald.
[56] MacDonald diary, 26 September 1924.

4. Zinoviev letter

The resignation of the Government and the calling of a general election does not end the account of the Government's Russian policy. On the morning of 25 October, just four days before polling day, the newspapers published a letter purporting to be from Gregory Zinoviev, the President of the Executive Committee of the Third Communist International ("Comintern"), to the British Communist party, urging them to "stir up the masses of the British proletariat" to ensure ratification of the Anglo-Soviet treaty, and echoing Campbell's call to accelerate Communist infiltration of the armed forces. The letter was accompanied by a note of protest signed, "(in the absence of the Secretary of State)" by Gregory, the head of the FO's Northern Department[57]. The *Daily Mail* declared: "Moscow issues orders to the British Communists ... British Communists in turn give orders to the Socialist Government which it tamely and humbly obeys."[58] *The Times* screamed "Red propaganda in Britain – Revolution urged by Zinoviev – Foreign Office bombshell", and a leader argued that, at this "critical moment of the electoral campaign", the FO's "extraordinary note" had confirmed, "on the authority of the leader of the Labour party himself, the arguments which we ourselves have repeatedly advanced against the Anglo-Soviet treaties": it was madness to sign a treaty with a foreign Government which was actively intriguing to overthrow the British way of life.[59] The reaction of Jimmy Thomas, who was staying with Snowden while helping him to campaign, was similar, if phrased in slightly different terms: "Thomas saw the newspapers and woke Snowden up by hammering on his bedroom door and shouting: 'Get up, you lazy devil. We're buggered!' "[60]

It was not so much the content of the letter, which was familiar Bolshevik ranting. It was more that it had come out at such a sensitive time. The Russian Government supposedly wanted to secure British agreement to the treaties

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[57] From Bennett, *A most extraordinary and mysterious business*, pp 93-100.
[58] Quoted in Lewis Chester, Stephen Fay and Hugo Young, *The Zinoviev Letter* (London: Heinemann, 1967), p 125.
[59] *The Times*, 25 October 1924.
[60] Cross, *Philip Snowden*, p 212.

they had negotiated. If they could not hold back their propaganda, or at least reduce its virulence, at such a time, what might they be capable of at other times? The Labour party was already under attack for pandering to the Russians and the Communist "sympathisers" in its own ranks over both the Russian treaties and the Campbell case. The letter provided further ammunition for those who wished to claim that the Government was in thrall to extremists - and, worse, foreign extremists. It is no surprise at all that its release at the height of a hard-fought election campaign, the result of which was generally expected to be close, should have been exploited for all its worth by the opponents of the Government. As we have seen, for example, *The Times* focused on the Government's protest note, which they claimed exposed as a sham Labour's claim that the Russian government was not responsible for the Comintern. This was a clever smear, as Labour did not claim anything of the sort: they too ridiculed Russian claims that the Comintern was entirely separate from the official Russian leadership. On 26 July MacDonald had written to Rakovsky protesting against "the attacks upon His Majesty's Ministers which have so constantly been made by prominent members of the Soviet Government and others ...". Brushing aside claims that Rakovsky's masters were not answerable for Zinoviev's activities, he went on: "I now note a recrudescence of vituperation on the part of M Zinoviev which passes all bounds of decent controversy."[61]

The publication of the 'Zinoviev letter' electrified the last few days of the campaign, and when 413 Conservative MPs were returned against only 151 Labourites, many in the movement blamed their overwhelming defeat on the publication of the letter. They claimed that the letter was a forgery, released at the best time to scare voters away from the party. Trevelyan thought that the Government had been stabbed in the back by the Foreign Office.[62] Over the years, dozens of people have been accused of being involved in various plots, including several civil servants and intelligence agents, up to and including Warren Fisher, the head of the home civil service.[63]

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[61] DBFP, volume XXV, p 397.
[62] Jones, *Arthur Ponsonby*, p 153.
[63] See, for example, Eunan O'Halpin, *Sir Warren Fisher* (London: Routledge, 1989), pp 132-3.

The bare facts are that the letter was sent by the Secret Intelligence Service (SIS) to the Foreign Office and the service departments on 10 October, together with an accompanying note stating that "the authenticity of the letter is undoubted". On 15 October Crowe informed the Foreign Secretary about the letter, said that he had obtained further corroborative proof of its authenticity, and recommended that a protest be sent to the Russians and made public:

> There is much force in the view that our best and only defence against these treacherous proceedings is publicity. It does not seem fair to our own people that our knowledge of these Russian machinations should remain for ever concealed.[64]

The next day MacDonald replied that he favoured publication in principle, and "asked that care should be taken to ascertain if it was genuine; and that in the meantime a draft of a dispatch might be made to Rakovsky."[65] This draft was worked up by William Strang, Gregory and Crowe, and only reached MacDonald, who was campaigning around the country, on 23 October. Despite having all this time, none of the officials followed the first part of MacDonald's instruction; to seek further proof of whether or not the letter was genuine. MacDonald made extensive changes to the note of protest, but, expecting to see it again together with proof of the letter's authenticity, did not initial the draft, and returned it to London. Back in the Foreign Office, Crowe decided that the note should be sent to Rakovsky and circulated to the press without further delay, and that MacDonald would be content with this decision. Gregory delivered the protest note to Rakovsky in the afternoon, and at 6 pm both the note and the letter were issued to the press.

The letter has remained a source of lively controversy ever since.[66] Given the allegations made by Labour supporters such as Trevelyan that senior Foreign Office officials were implicated in a plot to discredit the Labour Government, it is crucial to unravel the myths which have grown up around the Zinoviev letter,

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[64] Cabinet paper 484(24).
[65] MacDonald diary 31 October 1924.
[66] See, for example, Chester, Fay and Young, *The Zinoviev Letter;* Christopher Andrew, *Secret Service* (London: Heinemann, 1985); WP and ZK Coates, *A History of Anglo-Soviet Relations* (London: Lawrence and Wishart, 1945); and the excellent Bennett, *A most extraordinary and mysterious business.*

and evaluate the roles of officials in both the Foreign Office and in the intelligence community. The three key questions are, first, was the letter genuine or was it a forgery, and if it was a forgery, who wrote it and why? Second, how did it come into the possession of the Foreign Office, and to the press and possibly to others *before* its publication? Finally, were the Foreign Office officials guilty of leaking the letter, or did they in some other way undermine the Labour Government?

Starting with the question of authenticity, a brief inquest held immediately after the election by the outgoing Labour Ministers "found it impossible on the evidence before them to come to a positive conclusion on the subject."[67] Austen Chamberlain held another enquiry into the letter when he became Foreign Secretary. Unlike the Labour enquiry, he had no doubts about the letter's authenticity,[68] though the evidence available to both of them must have been the same or very similar.

The letter was certainly in the appropriate style for letters from Zinoviev to national Communist parties,[69] but it would not have been difficult for a well-informed forger to come up with something which looked authentic. Furthermore, from the point of a view of an opponent of the Government, the letter almost seems too good to be true. It leaves absolutely no doubt that only supporters of revolution in Britain would be wise to support the treaties, beginning:

> The time is approaching for the Parliament of England to consider the treaty concluded between the Governments of Great Britain and the SSSR for the purpose of ratification .... The proletariat of Great Britain, which pronounced its weighty word when danger threatened of a break-off of the past negotiations, and compelled the Government of MacDonald to conclude the treaty, must show the greatest possible energy in the further struggle for ratification and against the endeavours of British capitalists to compel Parliament to annul it.[70]

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[67] Cabinet conclusions 58(24), 4 November 1924.
[68] Cabinet conclusions 60(24), 19 November 1924.
[69] See, for example, letters from Zinoviev to the German and Norwegian Communist Parties in October 1924 (from Bennett, *A most extraordinary and mysterious business*, p 71).
[70] From TNA FO/371/10,478.

A copy of the Zinoviev letter was sent to SIS Headquarters in London on 2 October 1924 from the SIS outpost in Riga, and reached London on 9 October. The letter was in English, addressed to the "Central Committee, British Communist Party" from the "Executive Committee, Third Communist International, Praesidium", and signed, in typewritten form only, by Zinoviev, the British Communist Arthur McManus, and the Comintern secretary Otto Kuusinen. The next day the SIS sent copies of the letter to Nevile Bland (Crowe's Private Secretary) and Gregory at the Foreign Office, the Admiralty, War Office, Air Ministry, Scotland Yard and MI5, with an accompanying note stating that "the authenticity of the letter is undoubted".[71] The SIS operative who took the decision to circulate the letter immediately was Desmond Morton. Gill Bennett has noted that that such communications were usually circulated "on a routine rather than an urgent basis". Crowe and the FO's corroborative evidence of the letter's "undoubted" authenticity also came from Morton, who reported that one of his agents had confirmed that CPGB had received the letter. However, material in the SIS archives suggests that Morton's agent did not actually refer to the receipt of a letter until prompted to do so by Morton himself.[72]

Morton's evidence was enough for Crowe, who as we have seen ignored MacDonald's implied instruction to seek further confirmation. Only after the publication of the letter did Crowe seek further information from the director of SIS, who said that his organisation had received further proof of the letter's authenticity from an individual in touch with both Rakovsky and the Russian ARCOS bank. This description fits Conrad Donald Im Thurm, an exotic character who had commercial dealings with ARCOS and was an occasional agent for MI5, and who had extensive contacts in SIS, the Conservative party and the media.

Bennett was unable to find any evidence in Russian archives that the letter was genuine. The original of the letter has never come to light. Rakovsky claimed that the letter was a forgery, praying in aid inconsistencies in the text of the

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[71] TNA FO/371/10,478.
[72] Bennett, *A most extraordinary and mysterious business*, pp 35-37.

letter, for example that the Comintern did not use the term "Third Communist International", which appeared in the letter, as it did not recognise the legitimacy of the First and Second Internationals.[73] Strang countered these arguments in a memorandum dated 17 November, citing instances when the Comintern had used the epithet "Third".[74] A few days after publication of the letter Riga station was asked to provide copies of Comintern writing paper containing the heading "Third Communist International", but were unable to do so.[75]

If Zinoviev was not the author, then who might have written it? Bennett's investigations led her to the conclusion that the most likely authors were one of a group of White Russian émigrés, most of whom lived in Berlin, under the informal leadership of Vladimir Orlov. The White Russian group was virulently anti-Bolshevik and wished to maintain the Soviets' diplomatic isolation. They did not look kindly on the British Labour party's efforts to agree general and commercial treaties with the Bolsheviks. Through their own network of spies this group had access to large numbers of genuine Soviet secret documents, but were also known to produce forgeries. The group had extensive contacts in the international intelligence community, and would not have found it difficult to slip the letter into the path of the SIS operatives in Riga, with or without those operatives' active collusion.[76]

The second question concerns the letter's circulation once it reached Britain. In the first instance, Desmond Morton was in charge of its circulation to Government departments. As I have already noted, Morton firmly informed the departments that the authenticity of the letter was "undoubted", though at that point he had received nothing else from Riga to support this claim. A letter written by Morton to Major Joseph Ball in July 1924 includes the following statement:

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[73] Rakovsky to MacDonald, 25 October 1924 (TNA FO/371/10,478).
[74] TNA FO/371/10,479.
[75] Bennett, *A most extraordinary and mysterious business*, pp 77-78.
[76] Bennett's conclusion is supported by Chester, Fay and Young, *The Zinoviev Letter* (1967). p 51.

> I have a whole file of similar ones [letters from the Comintern to the British Communist party] .. All these letters are addressed in the same way and signed generally speaking, by the same people ... There is no doubt that the actual copies of these letters destined for the Central Committee of the Communist Party go from Moscow to Berlin, and from Berlin to London in the Arcos bag; that they are then sent round by hand to their destination ... I will not recapitulate what it is we are out to do, as I think my description on the telephone must have made it quite clear to you.[77]

At the time Ball worked in MI5. In 1926 he joined Conservative Central Office, and was Director of Research there from 1930 to 1939. The letter seems to implicate Morton not just in the suspiciously prompt and wide circulation of the Zinoviev letter once it reached Britain, but also in the actual forgery itself. It may not be necessary to look any further than Morton and Ball to explain why both Conservative Central Office and the *Daily Mail* had copies of the letter before publication. There has been no shortage of other suspects, including Donald Im Thurm.[78] And, of course, the letter was circulated to the service departments soon after its receipt by SIS, and any one of the recipients could have spread copies of or stories about the letter. Another possibility, examined below, is that Gregory was involved in the illicit distribution of the letter.

There is therefore strong evidence that certain SIS and MI5 agents were involved in a deliberate plot with White Russians to kill the treaties and discredit the Labour party. Bennett has, however, disputed any suggestion of an institutional attempt by the security services to overthrow the government:

> the idea of an institutionalised international campaign, directed by SIS, to discredit both the Bolsheviks and the Labour government is not only unsubstantiated by the documentation, but seems inherently unlikely. It was just not how the Intelligence Services operated.[79]

Even if these arguments are correct, and they seem convincing, the actions of the individuals involved were treasonous.

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[77] SIS files: from Bennett, *A most extraordinary and mysterious business*, p 31.
[78] Chester, Fay and Young, *The Zinoviev Letter*, pp 71-93; and Bennett, *A most extraordinary and mysterious business*, p 41.
[79] Bennett, *A most extraordinary and mysterious business*, p 92.

Finally, it is necessary to examine in detail the role of the FO. The affair inevitably led to tensions between MacDonald and his officials. MacDonald was "genuinely dumbfounded" by the decision to publish.[80] He was stuck many miles away from the FO, and had to make his public response to the publication of the letter without being able to obtain any further information about it. In his speech in Cardiff on the evening of 27 October, he explained the circumstances prior to publication and said that he had returned the draft of the protest note to the FO on 24 October, and had been very surprised that it had been published without delay. "I make no complaints; I will tell you why. The Foreign Office and every official in it know my views about propaganda. They all know that as soon as I get anything that is authentic ... I will communicate it to the public without delay". It had been claimed that the letter had been before the Cabinet, he went on. "Lies!". "So far as I know, the letter might have originated anywhere. The staff of the Foreign Office ... thought that it was authentic", but "I have not seen the evidence yet". He concluded that it was "most suspicious" that a newspaper [the *Daily Mail*] and Conservative Head Office had seen the letter "at the same time as the Foreign Office". "How can I, a simple-minded, honest person who puts two and two together, avoid the suspicion – I will not say the conclusion – that the whole thing is a political plot?"[81]

Despite the fact that MacDonald was far from London and official sources of information, *The Times* thought that he had gone too far in seeming to question the actions of his officials, and criticised him for attacking the civil service, which had caused "rumours of resignation" at the FO.[82] There were to be no resignations. What was going on behind the scenes? MacDonald's verdict on the events of 24 October is recorded in his diary:

> In my absence, the anti-Russian mentality of Sir Eyre Crowe was uncontrolled. He was apparently hot. He had no intention of being disloyal, indeed quite the opposite, but his own mind destroyed his discretion and blinded him to the obvious care he should have exercised. I favoured publication: he decided that I meant at once and before Rakovsky replied. I asked for care in establishing authenticity; he was satisfied and that was enough.

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[80] Memorandum dated 11 November 1924, Cabinet paper 484(24).
[81] *The Times*, 28 October 1924.
[82] *The Times*, 29 October 1924.

His main complaint was that he could have been contacted for the entire afternoon of the 24th, but that no-one in the office had thought to ring him to ask him whether the letter and the protest should be published, or even to warn him to watch out for the newspapers the next day.[83] As soon as Crowe learnt of MacDonald's displeasure, he telegrammed an anguished note: "I cannot tell you how deeply I felt troubled when I received your telegram this morning. It came upon me like a bolt from the blue that you had not intended the despatch and publication of the note to Rakovsky. No doubt as to your having approved it had crossed my mind."[84] On 27 October RM returned to London to find Crowe "ill and in a state of collapse. He was heartbroken, but his loyalty and sincerity were undoubted. He believed he was helping me in view of the *Daily Mail* publication."[85]

It was extraordinary for MacDonald to have thought that the absence of his initials from a draft which he had requested, and then extensively amended in his own hand, would be enough to ensure that it was not published. No doubt he did not intend the note to be sent and published immediately, but the fault was chiefly his in not making this wish sufficiently clear. MacDonald never doubted Crowe's innocence, ascribing his actions to his "anti-Russian mentality", not any disloyalty to the Government. Nor is there any evidence whatsoever to suggest that Crowe suspected that the letter might be a forgery, or that he had political motives in mind when he insisted on publication of the letter and the protest. Indeed, Crowe met Austen Chamberlain in private on 14 November to emphasize "how desirable it would be in the interest not only of the civil service generally, but of the political and party situation, that this genuine misunderstanding .. should not be further exploited."[86] If Crowe can be cleared of deliberately undermining the Government, it is nonetheless possible that the cultural uniformity of the higher civil service led him to take on trust the unsubstantiated assertions of his SIS colleagues, including in particular Morton, that the letter was genuine, and to decide that this constituted "proof" of the

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[83] MacDonald diary, 31 October 1924.
[84] Crowe minute, 25 October 1924 (TNA FO/371/10,478).
[85] MacDonald, diary 31 October 1924.
[86] Reported in Crowe to Haldane, 14 November 1924 (NLS MS 5916).

letter's authenticity. To Crowe, it would have been inconceivable to question the word of a colleague and a gentleman against that of a Bolshevik agitator.

Crowe did not, however, constitute the entire Foreign Office. What about other officials such as Gregory, the head of the department in charge of Russian matters? Morel declared: "the act of treachery by the man Gregory at the Foreign Office is unparalleled in the history of the country. The state of affairs disclosed by his act is absolutely intolerable."[87] Suspicions about Gregory did not really come to the boil until he was dismissed from the civil service in 1928, when it was found that for several years he had been speculating large amounts of money on foreign currency transactions. A Board of Enquiry led by Warren Fisher, the head of the civil service, found that Gregory's speculations had begun in late 1923 and had continued throughout and beyond 1924.[88] At least two other FO officials, Owen O'Malley and Leo Maxse, were also involved, together with someone from outside the civil service, Aminta Bradley Dyne.

The Board proclaimed themselves "fully satisfied" that the speculators had not made use of official information during their activities, but concluded that the public would think they might have done. In fact, it is difficult to see how Gregory, O'Malley and Maxse could have somehow ignored or 'unlearnt' the private and confidential information which they saw on a daily basis at work when they were deciding whether they thought that certain foreign currencies, particularly the franc, would appreciate or depreciate over the coming weeks or months, and speculating accordingly. One of Gregory's lines of defence was that his dealings were not secret: they were common knowledge in his Northern Department (where all three worked), and in the FO generally. This is contradicted by the fact that Gregory had already lied to Ramsay MacDonald about his involvement in currency speculation. In early 1925 MacDonald received a copy of a document written by a former servant of Mrs Dyne, who claimed that Gregory had spent a great deal of the week preceding publication

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[87] Quoted in Chester, Fay and Young, *The Zinoviev Letter*, p 116.
[88] *Report of the Board of Enquiry appointed by the Prime Minister to investigate certain statements affecting civil servants* (Cmd 3037, February 1928).

of the letter with Dyne, that both Dyne and Gregory were involved in currency transactions, and finally that:

> On Monday 27th October Mrs Dyne said that Mr MacDonald had got thrown out and that Mr Gregory had made his name ... On Tuesday night the 28th of October, Mr Gregory came and a man aged about 40 came in who Mrs Dyne said was a Russian. His name began with V and ended with 'ski'. Gregory said, laughing, 'Come into the plot'.[89]

MacDonald was not inclined to take the evidence of a disaffected employee seriously. In 1928 he said to the Enquiry: "That a man who came through stage by stage until he became the head of this Northern Department – I did not believe that man could have done that". He handed the document over to Crowe, for Crowe to deal with as he saw fit. Crowe evidently regarded it in the same light as MacDonald, and seems to have done nothing with it (Crowe died in 1925, and so did not give evidence to the 1928 Enquiry). MacDonald and JH Thomas did, however, see Gregory to ask him about the claims. Gregory answered: "It is absurd to talk about my dealing in exchange matters. Why should I deal with exchange matters ... I have never dealt with anything of the kind. It is too ludicrous for words."[90]

The Board concluded that Gregory, O'Malley and Maxse had acted "in a manner inconsistent with their obligations as civil servants", but found no evidence that Gregory had been involved in the forgery of the letter, nor that he had manipulated its publication in order to make a killing on the foreign exchanges. In reaching their conclusion the Board noted that Gregory had repeatedly recommended *against* publication of the letter, but had been over-ruled by Crowe.[91]

Bennett has strongly criticised this section of the report for failing to ask a very obvious question. Gregory and Dyne were in serious debt by October 1924, and the Board knew that between 29 October and 19 November Gregory was able to pay several thousand pounds into Dyne's account. Was it not possible

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[89] From Bennett, *A most extraordinary and mysterious business*, p 58.
[90] From Bennett, *A most extraordinary and mysterious business*, pp 58-60.
[91] Report of the Board of Enquiry, pp 16-18.

that Gregory simply sold a copy of the letter to a contact like Im Thurm or direct to the *Daily Mail*? This was a much more reliable option than trying to guess the effect publication would have on the foreign exchange markets. The evidence here is only circumstantial,[92] but it is the most plausible explanation for Gregory's sudden acquisition of several thousand pounds, and is far more convincing than the far-fetched claims that Gregory had a hand in the forgery, or deliberately caused the letter to be published against the wishes of MacDonald. (It would also explain why Gregory opposed publication: if he had been in the process of selling the letter, his cause would hardly have been helped if the FO had distributed it to the newspapers for free!) The assertion of Crowe's biographers that leaking "was not the sort of thing that was done by government departments in those days" should be dismissed out of hand (see, for example, chapter 5 on the services).[93] Finally, as Bennett has noted, if Gregory was guilty of selling the letter, it seems more likely that he did so for private profit than out of a desire to smash the Government.[94] He was certainly anti-Bolshevik, but had negotiated conscientiously alongside Ponsonby on the Russian treaties, and even before Labour took office had written memoranda stating that the British Government should attempt to engage with the Soviets.[95]

The publication of the letter certainly resulted in humiliation for Labour candidates, who did not know whether the letter was genuine or a forgery, and what line they should take in response to it. Thomas suggested it showed what a hard bargain Labour had driven with the Soviets, who now knew that they could not expect preferential treatment, while Trevelyan described the letter as "the usual white lies from Russia."[96] As MacDonald recalled in 1928: "My poor friends were slaughtered in their constituencies. I myself cut a miserable contemptible figure and this still rankles in my mind."[97] As the Labour historian

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[92] Chester, Fay and Young conclude that Gregory was probably blameless (*The Zinoviev Letter*, p 118).
[93] Crowe and Corp, *Sir Eyre Crowe*, p 462.
[94] Bennett. *A most extraordinary and mysterious business*, p 65.
[95] Memorandum by JD Gregory, 20 January 1924 (TNA FO/371/10,464).
[96] Chester, Fay and Young, *The Zinoviev Letter*, p 131.
[97] Testimony to the Board of Enquiry, from Bennett, *A most extraordinary and mysterious business*, p 51.

GDH Cole put it, the Zinoviev letter "made every Labour candidate feel and appear a fool."[98]

The effect on the election, however, is far less clear-cut. Chester, Fay and Young have argued that it had an important effect on the outcome, while others maintain that its effect was marginal.[99] The Labour vote actually increased, from 4.4 million votes to 5.6 million. The reason that this translated into the loss of 40 seats was because the Liberal vote collapsed from 4.3 million to 2.9 million. So, the letter can only have had a decisive effect if it scared Liberal voters into voting for the Conservatives. This is not impossible, as the Conservatives were obviously the party most hostile to the Bolsheviks, but it should not be forgotten that the Liberal party were also campaigning against the Russian treaties, and that the Labour Government had actually been defeated in the Commons on a Liberal amendment about the Campbell case.

5. Overview of Labour's policies towards Russia

Labour's policies towards Russia were undoubtedly distinctive: neither of the other parties would have granted Russia diplomatic recognition, nor entered into negotiations holding open the possibility of a government-backed loan to that country.

In this we see again MacDonald and the Labour Government being prepared to over-ride the concerns of Foreign Office officials about the reliability of the Bolshevik regime, on the grounds that Britain's wider interests – increased international trade and an improvement in the European 'weather' – were better served by engaging with Russia than by ignoring or seeking to bully it. This echoes MacDonald's approach to aspects of service policy, such as the halting of work on the Singapore naval base, which was examined in chapter 5.

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[98] GDH Cole, *A History of the Labour party from 1914* (London: Routledge and Keegan Paul, 1948), p 167.
[99] Chester, Fay and Young, *The Zinoviev Letter*, p xvi; eg. Crowe and Corp, *Sir Eyre Crowe*, p 459.

After the initial gesture of recognition MacDonald's interest in, and seemingly also his enthusiasm for, reaching an agreement with Russia waned rapidly, leaving his junior Minister Ponsonby to grapple with the erratic behaviour of the Russians and the scepticism of the Foreign Office. After several months Ponsonby pulled together a framework agreement, assisted, but *not* dictated, by a group of Labour back-benchers. The framework treaties were unremarkable. The political reaction to them was deliberately sensationalist and politically motivated in order to snap at Labour's achilles heel: its supposed subordination to international revolutionary communism. The Campbell case controversy was similarly presented as something far more significant than it actually was, in order to ramp up the pressure on the Labour Government, and ultimately to force it out of office.

The Zinoviev letter electrified the last few days of the campaign. The evidence assessed in the previous section indicates that certain intelligence officials were either involved in the forgery of the letter, or were aware that it was a forgery but passed it off as genuine anyway. It is also a distinct possibility that Gregory, or other officials from the FO or the service departments, gave or sold the letter to Conservative Head Office and the *Daily Mail*. Though it provided the newspapers with some excitement, close analysis of the 1924 election result suggests that the letter did not have a significant effect on the outcome.

After 1924 the Conservative Government reversed Labour's policy of attempting to engage with Russia. Chamberlain immediately decided not to recommend Labour's Russian treaties to Parliament, and rebuffed an overture from the Russians for the resumption of the negotiations. In May 1927, after a steady deterioration of relations, the Home Secretary Joynson-Hicks authorised a raid on the London-based Russian ARCOS Bank. Some evidence was found that the Bank was engaged in espionage and propaganda, and Britain broke off diplomatic relations with Russia.[100]

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[100] See Keeble, *Britain and the Soviet Union 1917-1989*; and Grayson, *Austen Chamberlain and the commitment to Europe*. Incidentally, Gregory had opposed the breaking of diplomatic relations, arguing that such an act would be more "the satisfaction of an emotion than an act of useful diplomacy" (Keeble, p 103).

For its part Labour was not overly traumatised by the events of 1924: the party remained committed to establishing constructive diplomatic and commercial relations with Russia. The second Labour Government resumed diplomatic relations, though with little of the optimism of 1924, and it took 6 months for the completion of the preliminary negotiations. There was one similarity with the exchange of Chargé D'Affaires in 1924: Labour's Foreign Secretary, Henderson, followed the precedent set by MacDonald and appointed a career diplomat, Sir Esmond Ovey, rather than one of the Labour figures who were mooted for the post, such as Ponsonby.[101]

6. Labour's foreign policy: conclusions

The Government's record

As was made clear at the start of chapter 6, this final section of the chapter considers all aspects of the foreign policy of the Labour Government: both the European and security policy examined in chapter 6, and the Russian policies examined in this chapter.

The Labour Government left office with a creditable record in their foreign policy. The London Conference had been a resounding success, and tensions between France and Germany had been reduced. To be sure, there were failures to set against this, particularly the handling of the Russian treaties, but overall the balance sheet was positive. This record of achievement helped to dispel the jibes that Labour could not be trusted to govern the country, and also to cover up the gaping holes in Labour's domestic policy.

With the benefit of hindsight, the Geneva Protocol has been described as one of the "lost causes and historical might-have beens" which might have helped to rein in the activities of the aggressor states which led ultimately to the Second World War.[102] But the Protocol never did come into effect. When it returned to

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[101] Carlton, *MacDonald versus Henderson: The Foreign Policy of the Second Labour Government*, pp 147-57.
[102] Lyman, *First Labour Government*, p 181.

power the Conservative party moved away from the universal approach embodied in the Protocol, and back towards a policy of regional alliances. In 1925 the Foreign Secretary Austen Chamberlain engineered the Locarno Pact, under which the mutual borders of France, Germany and Belgium were guaranteed by those three countries and also by Britain and Italy. This ingenious agreement was not a straightforward alliance against Germany, because Germany's own borders were included in the guarantee against attack. However, there was no pact to protect against aggression anywhere else in the world – or even on Germany's eastern borders, where the first thrusts of German expansion were made in the 1930s. Even in its own terms the treaty stored up trouble, because the borders which were guaranteed were, of course, those which had been imposed on Germany in 1918, and which were unlikely to be accepted by that country for ever. The Labour leaders generally accepted the Locarno pact as being better than nothing but continued, with varying degrees of enthusiasm, to propound the Geneva Protocol and the policy of universal rather than regional pacts against aggression.

The first Labour Government marked a key stage in the evolution of Labour foreign policy from vague utopianism to a more practically-based approach. This involved, for example, a willingness to work through the League of Nations, even though the party had at first condemned it, and still thought it to be imperfect. In 1928 Labour issued a new policy document, *Labour and the Nation*. It declared that Labour's foreign policy would in future be based more than ever on support for the League. Labour would use it to negotiate international agreements, and it would immediately sign the Optional Clause in the League's Covenant, thereby accepting the jurisdiction of the Permanent Court of International Justice. The party remained committed to disarmament, but only in combination with other countries through international agreements, and with a proviso that all countries would need to maintain small forces for police purposes (implying that the international community would retain sufficient armed force to implement military sanctions against aggressors).[103]

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[103] Winkler, *Paths Not Taken*, pp 189-90.

Some in the Labour party could not follow these developments in party policy. It has been shown for example that Morel, a leading member of the war-time UDC, who missed out on Ministerial office in 1924, remained fiercely critical of the League of Nations. The division was not simply between those senior Labour figures who took office in 1924, and those who did not. Ponsonby was unenthusiastic about the Geneva Protocol, and after Labour left office he continued to oppose giving the League the power to impose military sanctions on aggressors. This, he argued, would simply internationalise war, not eliminate it. Ponsonby came to support 'disarmament by example': unilateral British disarmament in order to kick-start the stalled international disarmament process.[104] Ponsonby was also one of the 13 Labour MPs to defy the party leadership and vote against the Locarno pact.[105]

Difference in outlook between MacDonald and Crowe

The first Labour Government cannot be judged solely on the *outcomes* of its foreign policy, because Labour had also promised that its *approach* would be new. Shortly before taking office, MacDonald declared to the Commons that Labour would provide "fresh minds dealing with foreign politics."[106] So what, if anything, was novel in Labour's approach to the conduct of foreign policy? And what was the reaction of FO officials to the new dawn? The answer to these questions can be found partly through an examination of the debates conducted by Ministers and officials through Minutes on FO files.

One memorable exchange between MacDonald and Crowe was stimulated by a minute written by the FO official Miles Lampson about the European situation, and the League of Nations. Lampson wrote:

> is not the real heart of the whole problem the question of <u>general disarmament</u>? I may be answered that this is pure idealism, and that we live a world of brutal realities where such things are unattainable. But we shall do well always to remember that the context of the Treaty of

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[104] Jones, *Arthur Ponsonby*, pp 164-171.
[105] Winkler, *Paths Not Taken*, p 167.
[106] HC Debates, 15 January 1924, volume 169, col 98.

> Versailles clearly indicates that the disarmament of Germany therein prescribed was intended merely as a first step towards a general limitation of armaments. That may be regarded as idealistic, but it at least gives us a concrete object upon which to concentrate.[107]

The surprisingly idealistic tone of the minute drew approval from MacDonald, but also this rejoinder:

> do not draw these false distinctions between idealism and practicalism. The one thing that matters is psychology. All the sage materialists and self styled realists will never be able to produce anything but wars. That is their natural offspring. Unless we change the qualities of our minds we had better arm to the teeth. From that point of view we ought to consider League of Nations problems.[108]

This shows very clearly the philosophy underpinning MacDonald's conduct of foreign policy, which valued friendly relations and a good international atmosphere above institutional structures and alliances. It also brought forth a cautionary note from Crowe:

> I venture to suggest that it is not sufficient to change <u>our</u> minds – supposing they require changing. What is necessary is to change the minds of the other people, notably the possible peace-breakers. Unless we succeed in doing that we cannot afford to neglect realistic views.[109]

This exchange helps to explain why MacDonald was prepared to countenance policies which did not seem to be in Britain's short-term interest – such as opening diplomatic relations with Russia, or cancelling work on the Singapore naval base, while Crowe and the majority of FO officials took a more direct view of what was and was not conducive to British security.

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[107] Minute by Miles Lampson, 1 July 1924 (TNA FO/371/9811).
[108] Minute by Ramsay MacDonald, 3 July 1924 (TNA FO/371/9811).
[109] Minute by Eyre Crowe, 4 July 1924 (TNA FO/371/9811).

Working relationships

For much of the time MacDonald enjoyed good working relationships with his officials. His elevation to the office of Foreign Secretary was certainly welcomed by the FO, which had suffered under the difficult Curzon, and whose political influence had failed to recover since the end of the war[110]. To a degree, the prestige of the new Prime Minister rubbed off on the Foreign Office.[111] The Zinoviev letter has cast a long shadow, but MacDonald's relations with the FO were generally good. At Easter 1924 MacDonald declared in a speech to the ILP that:

> Before we came in we were told that ... the Civil Service would do its very best to hamper a Labour Government and that it would not give us honest service ... I never believed it. I can improve upon that now and tell you after three months' experience that it is not true. The Civil Service is absolutely non-party.

He went on: "I myself went into the department supposed to the worst of them all, the Foreign Office. You know we used to criticise the way in which it was recruited", at which point he was interrupted with the question "Why don't you now?". MacDonald answered: "Why not now? Because it has been changed ... I received support of a hearty character."[112] Even after the Zinoviev affair, MacDonald's evidence to the 1928 Board of Enquiry into Gregory, O'Malley and Maxse indicates that he gave no weight to suggestions of civil service plots against the Government.

For their own part, the attitude of FO officials towards MacDonald seemed to tend towards the patronising. The daughter of Eyre Crowe wrote that "the members of the Foreign Office were agreeably surprised not only by his personal charm and his warm and easy manner ... but also by the moderation and realistic common sense which he brought to his new tasks."[113] PJ Grigg

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[110] For example, Crowe and Corp, *Sir Eyre Crowe*, p 447. Winkler, *Paths Not Taken*, p 131, also comments on MacDonald's good relations with the FO.
[111] Similarly, in the first Attlee Government Ernest Bevin proved popular with FO officials as he ensured that foreign policy was directed from the Foreign Office (Gordon Craig and Francis Loewenheim (eds), *The Diplomats 1939-1979* (Princeton: Princeton University Press, 1994), p 104)
[112] Reported in *The Times*, 29 October 1924.
[113] Crowe and Corp, *Sir Eyre Crowe*, p 447.

wrote that MacDonald "was persuaded by the agile and experienced staff of the Foreign Office to lay himself out to charm Poincaré,"[114] though it is in fact clear that the initiative in this respect was entirely MacDonald's own. In sum, the evidence indicates a relationship which (until the Zinoviev letter) was harmonious if not remarkably close, but in which, perhaps, one side accorded the other too much respect, and the other side did not display enough respect.

Ponsonby and Parmoor's relationships with the FO were more overtly troubled. As we have seen, Ponsonby had to battle Crowe in order to preserve his freedom to negotiate with Russia, which was only achieved when Crowe "put it formally ... on record that he entirely disapproved of and protested against the whole proceeding", and that "the Foreign Office as a department was free from all responsibility for the treaty, which rested entirely with Ponsonby."[115] It is interesting, though fruitless, to speculate whether a firmer lead from MacDonald might have forced Crowe to abandon his obstructive attitude.

Parmoor believed, correctly, that his League of Nations work was being undermined by FO officials. In his memoirs Parmoor made the following assessment of the staff of the Foreign Office:

> There was naturally some antagonism between the supremacy of the Foreign Office and the rising spirit of the new international movement at Geneva. Sir Eyre Crowe, however, always acted as a loyal adviser ... Much valuable assistance was given me by the Legal Adviser of the Foreign Office, Sir Cecil Hurst ... it was largely through his influence that the Geneva Protocol was finally settled in such a form as to obtain the unanimous assent of the Assembly ... I have no desire to refer to the general attitude of other members of the staff of the Foreign Office. The welcome was not cordial. I soon found that I was regarded as a cuckoo in the nest, or as a strange animal who had found his way within a sacred enclosure.[116]

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[114] Grigg, *Prejudice and Judgment*, p 134.
[115] Jones, *Arthur Ponsonby*, p 146; and Crowe to Lady Crowe, 8 August 1924, quoted in Crowe and Corp, *Sir Eyre Crowe*, p 457.
[116] Parmoor, *Retrospect*, pp 196-7.

One Labour contemporary, MA Hamilton, observed of Parmoor that FO "officials, for the most part, regarded him will ill-concealed and uncontrolled hostility."[117]

From the evidence available in the FO files, Ponsonby seems to have believed that senior FO officials were too ready to propose and pursue policy initiatives that should have been the province of politicians. For example, on 20 August Gerald Villiers suggested that Britain should propose the abolition of the Temporary Mixed Commission on Disarmament, on the grounds that it was going nowhere. Parmoor disagreed, and Ponsonby complained that there had been no attempt to consult the British representative on the Commission to ascertain his view. "This surely cannot be in the public interest", he concluded.[118]

Of all the Labour Ministers it was probably Haldane, even though he was not a Foreign Office Minister, who was closest to senior FO officials. This is certainly the case if the frequency of their social contacts is an accurate guide. On 23 January Tyrrell wrote to Haldane: "I rejoiced to see your name in the new Cabinet this morning", and the two, and to a lesser extent Crowe, dined together regularly throughout 1924.[119] Haldane was by far the most experienced Minister in the Labour Government, having been a Liberal Secretary of State for War from 1906 to 1912 and Lord Chancellor from 1912 to 1915. It may, therefore, have been that Haldane and the senior FO officials were simply renewing acquaintances made during that period. Another explanation would be that their similar social backgrounds encouraged them to gravitate towards each other. It has already been suggested that of the Whitehall Ministries the Foreign Office was the most upper class in character. Haldane, whose extended family were pillars of Edinburgh society, and the officials may simply have found in each other kindred spirits and congenial company. A simple conclusion that Ministers and officials would enjoy better

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[117] Hamilton, *Arthur Henderson*, p 245.
[118] Minutes by Villiers, Parmoor and Ponsonby dated 20, 25 and 25 August 1924 respectively (TNA FO/371/10,569).
[119] Tyrell to Haldane, 23 January 1924 (NLS MS 5916); and see, for example, Haldane to his mother 5 February 1924 and 20 May 1924 (NLS MS 6007).

relations with each other if the Ministers were drawn from the same upper class background as were the majority of Foreign Service officials does not, however, stand up to close examination. The two Labour Foreign Office Ministers who were most dissatisfied with their relations with civil servants, Ponsonby and Parmoor, were both from a distinctly upper class background. It seems that in their cases the friction was caused not by any questions of background, but because of disagreements over policies on which both the Labour Ministers, and officials, were divided, such as relations with Russia and whether to sign up to the Geneva Protocol.

Greater openness

The first Labour Government did make one distinctive contribution to the conduct of foreign policy. As shown in the introduction to chapter 6, one of the touchstones of radical and Labour propaganda since before the first world war had been criticism of 'secret diplomacy'. The first Labour Government was more open than any previous government in its conduct of foreign policy. Several current documents were published, in particular those relating to MacDonald's European policy, in order to create an impression of openness. Into this category fall MacDonald's friendly exchange of letters with Poincaré, correspondence relating to the arrangements for the London Conference, and a verbatim account of the plenary meetings of the London Conference, together with the official documents considered.[120] While significant, this did not represent a revolutionary break from usual post-war practice, and the most important departure related to historical documents, not current ones. On 20 February in the Commons Ponsonby trailed the Government's decision to commission the publication of a series of hitherto confidential Foreign Office documents concerning the origins of the war. Although the creation of the series was not formally announced until after the Government had left office, the foreword to volumes I and II of the *Origins of the War* series affirmed that

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[120] Correspondence relating to the London Conference was published as Cmd 2184; and the Proceedings of the London Reparation Conference were published as Cmd 2270.

"the decision to publish a selection from the British documents dealing with the origins of the War was taken ... in the summer of 1924."[121]

At the end of the debate on the Lausanne peace treaty with Turkey on 1 April, Ponsonby informed the Commons that all future international agreements to which the British Government intended to accede would be placed before Parliament for 21 sitting days, in order to permit Members to examine and, if they wished, demand a debate on them.[122] This quickly became known as the Ponsonby Rule, still in force today. Morel congratulated Ponsonby, but pressed him to go further and introduce legislation, or at the least a Commons resolution, on 'democratic control of foreign policy'. He also still cherished the creation of a Commons Foreign Affairs Committee.[123] But Ponsonby would not be pushed into attempting anything more: he had been careful to obtain MacDonald's prior approval for his Commons statement, and did not think that the Prime Minister would countenance any further measures of reform.[124]

It should be noted that during his time in office Ponsonby did find that secrecy could have its uses, particularly when policies were not working as well as he might have wished. Little public information was provided during his difficult negotiations with the Russian delegation, which helps to explain the confusion and suspicion surrounding the announcement of the agreement of the Russian treaties in July. Examples of Ministers restricting the release of information are not confined to Russian policy. Soon after the Government took office the Labour MP Harvey asked whether the Government would submit its response to the draft Treaty of Mutual Assistance to the House of Commons for debate, before sending it to the League of Nations. An FO official prepared a draft answer which included the statement: "I do not anticipate any difficulty in falling in with the Hon Member's suggestion if it is later the general wish of the House". Crowe checked the answer before forwarding it to MacDonald and Ponsonby, and noted "omit" against this sentence. Both Ponsonby and

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[121] George Gooch and Harold Temperley (eds), *British Documents on the Origins of the War, 1898-1914*, 11 volumes (HMSO, London, 1927-1938), foreword to volume 1.
[122] HC Debates, 1 April 1924, volume 171, cols 2001-5.
[123] Winkler, *Paths Not Taken*, p 138.
[124] Jones, *Arthur Ponsonby*, p 143.

MacDonald noted their agreement with this suggestion, and Ponsonby did not include the statement in his answer in the Commons.[125]

Overall, given that the Government only lasted ten months, the decision to publish the *Origins* series and the introduction of the 21-day rule are creditable achievements. It is significant that the initiatives – two rare examples of the Government reforming the way in which policy was conducted – were introduced before Ponsonby had to devote all of his attention to the Russian negotiations from April 1924 onwards. Such reform as there was owed everything to Ponsonby's presence in the Government – and Morel's prodding – and nothing whatsoever to MacDonald.

The most notable omission from the UDC's shopping list of policies was probably the failure to create a Commons Foreign Affairs Committee. This was, strictly speaking, not a matter for the Government, but it is difficult to believe that the Government could not have brought about the creation of such a body. By way of analogy, the creation of the Commons departmental select committee system in 1979-80 required the agreement of the new Conservative Government.[126] The Committee would have been supported by the whole of the Labour party and the majority of the Liberals by conviction, and by many other Liberals and Conservatives on the grounds that it would provide a new forum in which to harry the Government. Therein probably lies the explanation for the Government's lack of interest: effective Parliamentary scrutiny always seems more desirable when in opposition than in office. Foreign policy was one of the few areas where the Government enjoyed relative freedom of manoeuvre, despite their lack of a Commons majority. They therefore had good reasons for sometimes wishing to keep foreign policy away from the Commons.

The evidence therefore suggests that Labour was willing to bring greater openness to foreign policy when this suited its own aims – for example in establishing friendly relations with the powers of western Europe, or

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[125] TNA FO/371/10,568.

[126] See, for example, Priscilla Baines, "History and Rationale of the 1979 Reforms", in Gavin Drewry (ed), *The New Select Committees: A Study of the 1979 Reforms* (Oxford: Clarendon, 1985), pp 13-36.

establishing culpability for the war, but that it found that sometimes – as with the Russian negotiations – too much openness could be a bad thing.

Failure of the Government to challenge the institutional structure of the Foreign Office

Greater openness in the conduct of foreign policy had been just one of Labour's foreign policy aims in the years prior to 1924. It was shown in chapter 1 that prior to 1914 the Diplomatic Service and the Foreign Office, collectively known as the Foreign Service, were the only branches of the civil service to have consistently attracted the critical attention of Labour propagandists. As was suggested in chapter 1, this owed more to general attacks on aristocratic 'privilege' in the radical Liberal tradition (including for example calls for reform of the House of Lords, and the campaign to tax land values), than to any proposals better to suit the civil service to carry out a future Labour government's policies. The limited post-war changes to recruitment and remuneration largely satisfied the reforming instincts of Ministers such as the Home Secretary Arthur Henderson, who had criticised the Foreign Service in the 1918 publication *Aims of Labour*, and Arthur Ponsonby. Furthermore, the Ministers were new to office, and they were fully occupied with their policy work without also attempting to reform the Foreign Service.

This helps to explain why Labour made no attempt to reform the institutional structure of the Foreign Service, MacDonald's most significant contribution in this respect being to obtain funds from the Treasury to add an extra storey to the FO building.[127] The Labour leadership, and MacDonald in particular, craved respectability, and tampering with long-established institutions such as the FO would have been seriously detrimental to this aim.

It was probably MacDonald's determination to be completely apolitical in his dealings with the Foreign Service that had led him to oppose, at Labour's 1922 Annual Conference, Noel Buxton's proposal to create a "Labour Diplomatic

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[127] Maisel, *Foreign Office and Foreign Policy, 1919-1926*, pp 10 and 155.

Service". This "service" would not have supplanted the regular channels of communication via the Diplomatic Service, even when Labour took office. Rather, it would "keep in constant touch with Movement corresponding to the British Labour party in all countries". However, this was still too much for MacDonald, who must have been fearful of laying himself open to the charge that he was seeking to politicise the diplomatic service, and he successfully killed off the proposal.[128]

While he was Foreign Secretary MacDonald was scrupulous in avoiding any whiff of politics in his appointments. After the Conservatives had lost the 1923 election, but before they left office, Curzon appointed the career diplomat Esme Howard to be Ambassador the United States in succession the ailing Auckland Geddes, in order to prevent "a Labour Party hack" being given the job. Crowe wrote to Howard a few days later to say: "It is a critical moment for our long-suffering service ... and to recapture the embassies from the outsiders is a thing which I have very much at heart"[129]. The outsiders, such as Geddes, were the non-career diplomats who had been appointed by Lloyd George during the Coalition Government. In a move which Howard described as "gracious" and "unexpected", on becoming Foreign Secretary MacDonald confirmed the appointment and Howard duly became Ambassador in succession to Geddes on 2 May 1924.[130] Similarly, the post of Chargé D'Affaires in Russia went to Hodgson, a regular diplomat, and not to a Labour politician.

One clear effect of the Zinoviev letter was that it gave the Labour leadership a convenient scapegoat for their defeat in the 1924 election, permitting them to deflect any serious examination of their own internal shortcomings over their 10 months in office. This is one of the explanations for the lack of analysis of Labour's response to the challenges of office, and the relationship with the civil service, despite the fact that some in the party believed that civil servants had 'betrayed' them.

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[128] Report of the 22nd Annual Conference of the Labour Party (1922), p 225.
[129] BJC McKercher, *The second Baldwin government and the United States, 1924-29* (Cambridge: Cambridge University Press, 1984), pp 270-1.
[130] Esme Howard, *Theatre of Life* (London: 2 vols, Hodder and Stoughton, 1935-36), p 479.

After the Government left office, Labour's Advisory Committee on International Questions put forward various proposals for institutional reform, including the appointment of an experienced Labour figure as the Permanent Under-Secretary at the FO, and the subordination of that post to the Under-Secretary of State (the position held by Ponsonby in the Labour Government). In addition, Ponsonby and Philip Noel-Baker proposed the abolition of the CID, which made recommendations on important matters of foreign policy but was dominated by the services, and its replacement by a Cabinet Committee.[131]

Ramsay MacDonald strongly disagreed with the proposals, writing:

> If the Labour Party were to give its intimation to the Civil Service that it had no confidence in its impartiality and that it would on assuming office put outsiders into controlling positions ... we would raise such a hornet's next inside the Service that, so far from promoting an efficient and loyal service, we would destroy both.[132]

In the 1929 to 1931 Government Henderson was in many respects a very different Foreign Secretary to MacDonald. Unlike MacDonald, he worked closely with his team of Ministers (Hugh Dalton, Philip Noel-Baker and Viscount Cecil). Henderson attempted to assist the FO to a better understanding of Labour policies, by circulating the foreign policy section of the policy document *Labour and the Nation* to bemused FO staff. Henderson also did more than MacDonald to communicate with the wider Labour movement, prompting one official to complain (disloyally) to Austen Chamberlain that Henderson spent too much time on Labour party affairs, and not enough on the details of foreign policy.[133] However, like MacDonald Henderson showed no interest whatever in institutional reform of the Foreign Office, meaning that Henderson's personal approach could easily be reversed by the next incumbent.

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[131] Winkler, *Paths Not Taken*, pp 158-9; Theakston, *Labour Party and Whitehall*, pp 21-22.
[132] From Marquand, *Ramsay MacDonald*, p 418.
[133] Carlton, *MacDonald versus Henderson: The Foreign Policy of the Second Labour Government*, p 22; Dalton, *Call Back Yesterday*; and Pimlott, *Hugh Dalton.*

Taken together, the evidence suggests that experience of government had whetted, not tempered, the Labour leadership's desire for 'respectability', and thus reinforced the leadership's lack of interest in any proposals to reform any branch of the civil service.

Chapter 8 – Conclusion

When the dust had settled on the 1924 election, the former Ministers of the first ever Labour Government could look back on their work with some pride. In many ways Labour had met its central political objective: that of proving it was fit to govern. This point should not be under-estimated, and so this chapter begins with an analysis of the Government's record in office.

This is, however, only part of the story. In the introduction it was suggested that the development of British political history in the later 1920s and early 1930s can not be properly understood without reference to the experiences of Labour Ministers in office in 1924. In this chapter I argue that Ministers tended to display an unnecessarily deferential attitude towards their civil servants. This unwillingness prevented them from undertaking any serious analysis of the effectiveness of the machinery of government in translating Labour policy commitments into action; and similarly to avoid any analysis of the effectiveness of their own key domestic policies. Labour thus lost its best opportunity to develop coherent policies with which to meet the economic and then political crisis which engulfed it when it returned to office in 1929.

1. The Government's record

In domestic policy, the Government implemented a house-building policy which led to the construction of 520,000 houses over eight years, subsidised so they could be let at affordable rents. In financial policy, the Government's one budget was used to cut several indirect taxes and encourage free international trade. And while little was done directly to provide work for the unemployed, harsh eligibility criteria for unemployment benefits were eased, and benefit rates were increased.

In terms of foreign policy, relations between the European powers were considerably improved, culminating at the London Conference with the recasting of reparations and the agreement to withdraw French and Belgian

troops from German territory. A distinctive policy was pursued to encourage greater resort to international arbitration to settle disputes between countries; and moderate cuts were made to British armed forces as an indicator of good faith ahead of planned international disarmament negotiations. The Government was also more open than any before it in explaining its approach and publishing current documents relating to its policies.

The view has frequently been expressed that the performance of the first Labour Government was poor. Gordon Brown has concluded that "the Labour Government of 1924 was hardly a success, judged by anyone's standards";[1] and Manny Shinwell that the Government was "the most unconstructive political chapter of [the twentieth] century"![2] However, the record for a Government which lasted a little under a year seems creditable, particularly when measured against the goals set for the administration by its own leaders: to prove that Labour was capable of governing effectively; implementing useful, practical reforms at home and pursuing an effective foreign policy abroad, while continuing the day to day business of 'the King's government'. The life of the nation continued largely uninterrupted in 1924, the nation's sense of well-being enhanced by the country's success at the Paris Olympics and the massive British Empire Exhibition held at Wembley between April and November, and attended by over one million people.

The evidence in chapters 2 to 7 indicates that the Government tended to be at its most successful in proving Labour's ability to govern effectively when it achieved a synthesis between the ideology the party took with it into office, and the realities of the situation it found when it got there.

For example, the party's commitment to increasing the stock of houses available for the working classes was achieved by the overhaul of an existing policy. John Wheatley took over the housing scheme established by the previous Conservative government, and added some distinctive new elements to the policy. The main element of continuity was that the houses were to be

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[1] Brown, *Maxton*, p154. See also, for example, Perry, *Bread and Work*, p 87.
[2] Shinwell, *I've Lived Through It All*, p 82.

built to the same physical specifications as those under the Conservative scheme, which Labour had criticised as inadequate for decent habitation in 1923. The distinctive new elements were that the annual subsidy was increased and was to be paid over a longer period of years, to increase the rate of building (the lengthening of the term of the subsidy helped to keep down the annual cost of the scheme to the Exchequer); there was to be a fair wage clause in each building contract; and the presumption was that houses should be built by local authorities for renting, not (as under the Conservative scheme), by private industry for sale. Wheatley understood that accepting certain limitations – houses which were smaller than the party would have wished – enabled political opposition to be overcome, and permitted the building of a larger number of houses, more quickly, and at lower cost.

In the services, the Singapore naval base was mothballed, other military programmes were cut back, and sales of surplus munitions to non-Commonwealth countries were ended. But there were no grand gestures of disarmament; no swingeing cuts. The Government's policies enhanced Britain's hand in the delicate foreign policy negotiations throughout 1924, without inhibiting, in the short term at least, the operational effectiveness of the armed forces themselves. The Government was even receptive to the strategic evidence that it was prudent to build up the air force while the navy and army were being reduced in size.

In foreign policy, MacDonald and the Government achieved an improved deal for Germany, in part by persistently courting and reassuring France, to which the party had traditionally been hostile. The Government was able to make reparations payments on Germany less onerous, and secure the withdrawal of French and Belgian troops from Germany, by working within the framework of the Versailles settlement, which in opposition it had threatened to smash apart.

When the Government struggled, it tended to be either because Ministers cleaved too determinedly to the policies with which they entered office – or, more often, because they were overly impressed by the 'realities' of the situation they found, and failed to attempt to develop distinctive solutions.

Landlord and tenant relations are a good example of the former. The Government found, humiliatingly publicly, that simple propaganda – that 'our people should not be thrown out of their houses by avaricious landlords' – did not translate directly into a workable policy. The Rent and Mortgage Interest Restriction Bill, based on this simple idea, fell apart as soon as it was exposed to hostile scrutiny in the House of Commons.

The outstanding example of the latter – the Government's bafflement and inaction in the face of certain thorny policy issues – is on unemployment policy. Ministers continued, in fits and starts, to propose works programmes, but became increasingly convinced that works were both difficult to devise and of limited effectiveness. The Government failed to pursue any avenues which might have helped to implement works more effectively; such as a body established specifically to identify, plan and cost works; or undertake research into the efficacy of works compared with other policies. Colonial policy presents another example. On taking up the post of Colonial Secretary JH Thomas declared bluntly to his officials: "I'm here to see that there is no mucking about with the British Empire";[3] and the Government's actions in office tended simply to the defence of the status quo in, for example, Egypt, Cyprus and (as shown in chapter 5) Iraq.

2. Attitudes of civil servants towards the Government

It has been a particular aim of this thesis to use detailed research into the work of key departments to assess the relationship between the civil service, and senior civil servants in particular, and the Labour Ministers. This research can be used to assess the arguments of some left-wing politicians and historians that the civil service has obstructed the work of Labour governments, either through inertia or deliberate obstruction. Some of these arguments, covering several periods from the twentieth century, were set out in chapter 1 (pages 10

[3] Haldane to his mother, NLS MS 6007.

and 11). In the case of 1924 at least, the overwhelming weight of evidence indicates that the civil service did not set out to undermine the Labour Government.

It is true that there were some isolated cases in which civil servants acted improperly, the Zinoviev affair being the outstanding example. Other examples centre on the services, and in particular the persistent leaks by the Admiralty and the Sea Lords in their attempt to pressurise the Government to increase spending on the Navy and continue work on the Singapore naval base. But these leaks seem entirely consistent with the antics of the navy both before the first world war and in the inter-war years. The Sea Lords threatened to resign *en masse* in both 1911 and 1923; and in 1922 and 1925 the Secretary to the Admiralty or the Navy itself took their case to the press, against first a Coalition and then a Conservative Government which were thought to be seeking unacceptably deep cuts.[4] Turning to dry land, in 1912 the Director of Military Operations held covert meetings with Opposition leaders in order to further the army's campaign for conscription.[5]

Taken together, the evidence suggests that any intrigues by the service chiefs in 1924 were not aimed at Labour *qua* Labour: they were intended to defeat certain policies towards the services with which the service chiefs disagreed. In other words, the service chiefs did go beyond the bounds of their constitutional rights in opposing some of the policies of the Labour Government, but they did so not with the intention of harming the Government or the Labour party but of defending their services, and they did this repeatedly in the pre-war and inter-war period.

The first key conclusion in this respect is, therefore, that the civil service did not seek to undermine the Government. The second is that any such attempt would have been inconceivable, impossible. Just like a major political party, the civil service, even in its higher echelons, was not a unified entity. It is easy to

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[4] JA Cross, *Sir Samuel Hoare: A Political Biography* (London: Jonathan Cape, 1977), p 94; Murray, *Making of a Civil Servant*, p 126.
[5] Jennings, *Cabinet Government*, p 129.

mistake the single public view of the Government of the day as the view shared by all Ministers, or the view of the civil service as expressed in a paper to a Minister as the view of all civil servants. But careful study of the archives shows this rarely to be the case. Civil servants within a department often held differing views; and different departments often had different interests, which lent the civil servants from those departments different roles to play. Intra- and inter-departmental controversies were, therefore, often key elements in the development of government policy.

Senior officials within the Foreign Office reached different conclusions on the Geneva Protocol, the FO's legal adviser Cecil Hurst supporting British ratification; and Eyre Crowe, the Permanent Under-Secretary, opposing it (page 206). Between departments, the Navy, the Colonial Office and Maurice Hankey supported development of the Singapore naval base, while the Treasury opposed it and the Air Force was equivocal. The Treasury civil servant George Barstow provided detailed briefing material against the base, which Snowden used to good effect at the key Cabinet committees. On the other side, Admiral Beatty energetically briefed the press, and declared himself generally happy with the performances of his Ministers Chelmsford, Ammon and Hodges in defending the navy's interests (pages 150 to 152).

The Labour Government's experience of the conduct of colonial policy in 1924 provides further examples of inter-departmental differences on key policies. PS Gupta has concluded that the differences that arose in 1924 on how best to defend Persia and Britain's interest in the Anglo Persian Oil Company "reflected traditional differences in the views of civil servants in rival government departments rather than ideological divisions between Labour and Conservative".[6]

In one respect, the conclusion that the higher civil service did not pursue one consistent line must be qualified in order for it to stand. Research on higher civil servants of the time does reveal a cultural uniformity about the men at the top

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[6] Gupta, *Imperialism and the British Labour Movement*, p 96.

of the civil service (see chapter 1). They tended to be drawn from the public-school educated, upper middle classes (upper class in the diplomatic service). There was, perhaps, a tendency for some senior officials to patronise their Labour Ministers. But a wider perspective again does not suggest that such views were particularly unusual. Otto Niemeyer, the Treasury official who forged a close relationship with Snowden, dubbed the Conservative Colonial Secretary Leo Amery the "Mad Mullah Minister". Admiral Beatty once wrote of Winston Churchill, while the latter was Chancellor the Exchequer in the later 1920s, that the "extraordinary fellow" had "gone mad".[7]

Officials did have an important role in the development of policies, but this is what the higher service existed and exists to do. Senior officials tended to have a decisive effect only when the Ministers themselves were in disarray. The best example in this respect is the Government's policy on evictions and rent. After a calamitous few days in the Commons, when Ministers' ill-thought out policy had fallen apart, senior officials spent a successful weekend lobbying that central government funds must not be used to pay for tenants who found themselves in arrears. More normally, officials' influence could appear decisive when it actually chimed with a Minister's own intentions. The Treasury's advice to Snowden set out in chapter 2 could, therefore, be presented as the key factor in Snowden's decisions to cut taxes and extend free international trade; but the archives clearly reveal that Snowden was, independently, an equally enthusiastic advocate of these policies.

So the central conclusion on the civil service remains: there was no concerted attempt to impede or direct the work of the first Labour Government.

It is worth pointing out, as a coda to this conclusion, that criticisms of the civil service have come not just from the left. That the civil service exerts a malign influence over the process of policymaking is a claim not infrequently made by politicians who do not feel they have yet achieved all that they had hoped in their careers. For example the Conservative MP Nicholas Ridley, writing in

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[7] Beloff, "Whitehall Factor", p 218; Beatty to wife, 26 January 1925 in Chalmers (ed), *Life and Letters of David, Earl Beatty.*

1973, argued that "the everyday work and attitude of a Government Department is often more responsive to its Private Secretary than to its Ministers", and that:

> I suspect that the civil service is a political party of a monolithic view, which believes in a whole series of politics because it thinks they are in the 'national interest'.[8]

It would be foolhardy to draw anything other than the most tentative conclusions following the study of one short administration, but it may be that criticisms of the civil service owe more to the fact that on a particular issue a party or group of Ministers is disunited on a policy, making inertia and drift inevitable, than any deliberate obstruction on the part of officials.

3. Attitudes of Ministers towards the civil service

The Zinoviev letter casts a long shadow over relations between the first Labour Ministers and their civil servants. But the most important theme concerning relations between Ministers and civil servants in 1924 is not that a few renegades within SIS and MI5 disseminated a letter forged by White Russians. The key theme is that Ministers were in general over-respectful towards the senior civil service, proving utterly wrong the *Daily Herald*'s confident prediction at the start of 1924 that "Cabinet Ministers of the old type were nearly always in the hands of the permanent officials ... Labour Ministers will ... be singularly well versed in administrative routine; they will also have pretty clear notions of the policy they mean to pursue".[9]

No Minister had the confidence to take up the suggestion made by Sidney Webb to MacDonald shortly before the Government took office:

> It would be desirable, in so far as it is possible, that our men should not necessarily accept a clerk in the office as their private secretary. In my

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[8] Nicholas Ridley MP, *Industry and the Civil Service* (London: Aims of Industry, 1973), pp 2 & 4. See also Gordon Tullock, "Bureaucracy and the Growth of Government" in Stephen Littlechild et al, *The Taming of Government* (London: Institute of Economic Affairs, 1979); and William Niskanen, *Bureaucracy: Servant or Master?* (London: Institute of Economic Affairs, 1973).

[9] *Daily Herald*, 2 January 1924.

> time it was quite usual for a personal friend or adherent to be brought in from outside for the major secretaryships where two were provided ... the civil service has largely succeeded in eliminating this practice, but it would be helpful to revive it where possible.[10]

The excessively deferential attitude of Ministers may in part have stemmed from, or been connected with, their lack of experience in running major organisations. Ministers' inexperience could harm their overall effectiveness. At first, MacDonald refused to allow his civil servants to open any letters marked "private" or "personal". He relented only when his private secretary, Ronald Waterhouse, argued "that the Prime Minister had a trained staff at his disposal waiting in idleness; that he was killing himself; that if he succeeded he, Ronald, would be blamed".[11] Another Minister, Fred Jowett, refused to dictate anything to an assistant because he was "psychologically incapable of doing it; he could never forget that the secretary to whom he was supposed to dictate was a human being like himself".[12]

Ministers' desperation to avoid any hint that they were 'interfering' in the proper functioning of the civil service came out repeatedly in 1924; from the Minister of Labour Tom Shaw renouncing any interest in recruiting civil servants with particular knowledge of labour and labour markets (page 108), to MacDonald confirming in post an Ambassadorial appointment made specifically to 'dish' the incoming Labour administration (page 259). Ponsonby, who as a former civil servant and then a junior Minister in 1924 had been on both sides of the fence, was moved to complain that MacDonald was "much too correct and frightened of offending official susceptibilities".[13]

It would be inaccurate to claim that Ministers were simply helpless puppets dancing to the tunes played by their officials. As suggested earlier in this conclusion, effective Ministers tended to achieve a synthesis between their distinctive take on policy and the 'realities' of the situation they found when took office. Wheatley, for example, worked closely with Department of Health civil

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[10] Webb to MacDonald, undated, in TNA 30/69/210.
[11] Nourah Waterhouse, *Private and Official* (London: Jonathan Cape, 1942), p 296.
[12] Brockway, *Life of Jowett*, p 210.
[13] Jones, *Arthur Ponsonby*, p 143.

servants, and took advantage of the large volume of work that had already been done on the modest housing scheme of his predecessor, Neville Chamberlain, in drawing up his housing programme. Even when Wheatley disregarded the advice of his senior officials, which he did in rescinding the Mond Order, he kept control of his department and the disagreements remained in private. He even suggested to Parliament that his department had been a key consideration in the decision to return the Poplar Board to the same status as the other Poor Law Boards: "I have rescued my department from a state of degradation. I have put my department in a position in which it can and will enforce the law ...".[14] Officials in turn held Wheatley in high regard.[15]

The vastly experienced Haldane, who successfully negotiated a peace deal between the Air Force and the Navy over the future of the Fleet Air Arm, provides further evidence that the successful Ministers tended to be the ones who worked effectively with their officials.

MacDonald made a distinctive mark as Foreign Secretary, though his personal style of diplomacy, based on personal contact with the foreign Ministers and premiers of other countries, does not seem to have necessitated particularly close working relationships with his Foreign Office officials. He was, however, willing to engage honestly and directly with his officials about his beliefs and priorities in foreign policy, in exchanges which are preserved by the minuting system. To quote one such exchange from MacDonald to Crowe: "do not draw these false distinctions between idealism and practicalism ... unless we change the qualities of our minds we had better arm to the teeth"; and from Crowe to MacDonald: "it is not sufficient to change our minds – supposing they require changing. What is necessary is to change the minds of the other people".[16]

A detailed examination of Henderson's time as Home Secretary would be likely to support the conclusion that Ministers who failed to engage effectively with their officials, and imprint their own distinct views on policies, tended to

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[14] HC Debates, 13 February 1924, vol 169 col 863.
[15] Middlemas (ed), *Thomas Jones – Whitehall diary*, 20 March 1924.
[16] Minutes by MacDonald, 3 July 1924, and Crowe, 4 July 1924.

struggle. For example, the Labour Party entered office committed to re-instating a small number of policemen who had gone on strike and been sacked in 1919. Henderson's biographer Wrigley suggests that Henderson was perhaps overly influenced by the Home Office in obtaining Cabinet agreement not to re-instate them.[17]

Ministers found that they were also quite capable of using their officials in a rather less positive way: hiding behind them to obfuscate and delay difficult decisions. There was nothing unusual in this: Ministers always do it. But each time a Labour Minister said 'I will ask my officials to consider this'; as Stephen Walsh did when challenged in the Commons to implement party policy and end the death penalty in courts martial, it became harder for Labour credibly to challenge such evasions when they returned to Opposition. As shown in chapters 6 and 7, Ministers showed a commendable appetite for greater openness when policies were going well (run-up to the London Conference), but had rather less stomach for it when policies were stalled (Russia).

It can therefore be seen that in several instances Labour Ministers were quite capable of stamping their authority on the direction of policy. What I mean when I suggest that Ministers displayed an overly-deferential attitude to the civil service is that they displayed a flat refusal to countenance any evaluation of the institutional structure of the state.

In fact, contact between Ministers and senior officials during Labour's time in office in 1924 had far more of an effect on Labour than the civil service. This seems surprising, given that the Labour party was committed to changing society; and that the civil service existed simply to serve the government of the day.

Labour Ministers' experience of office tended sharply to heighten their sense of what was possible – in some cases, paralysingly so. One needs only look at what senior party figures said about unemployment shortly before Labour took

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[17] Wrigley, *Arthur Henderson*, pp 144 and 149. Another biographer, Leventhal, was also unimpressed with Henderson's spell as Home Secretary in 1924 (Leventhal, *Arthur Henderson*, p 126).

office, and shortly afterwards, to see the truth of this. At the start of the year MacDonald claimed:

> for the first time an administration staff will consider the problem of unemployment from the human point of view, and not merely from the wage-earners' point of view ... We are a party of ideals. We are a party that away in the dreamland of imagination dwells in a social organization fairer and more perfect than any organization that mankind has ever known. (Cheers.)[18]

As early as May he was advising the Commons that:

> Until you have been in office, until you have seen those files warning Cabinet Ministers of the dangers of legislation ... you have not had the experience of trying to carry out what seems to be a simple thing, but which becomes a complex, an exceedingly difficult, and a laborious and almost heartbreaking thing.[19]

Margaret Bondfield, as Parliamentary Private Secretary at the Ministry of Labour one of the Ministers at the sharp end of the unemployment problem, complained of works schemes that "you cannot get these things moving in a short space of time".[20]

Study of the archives for 1924 shows that no foundations were being laid for a new Jerusalem: there was simply a set of new Ministers learning the ropes. It was not sufficient, however, for Labour Ministers to become competent administrators of the machine. As was suggested in chapter 1, Labour's principles and policies implied greater public involvement in the management of society and the economy.

This in turn would require a different – and if the Fabian model was followed a larger – role for the civil service. In chapter 1 it was shown that, while the Labour leadership had tended to ignore this issue prior to 1924, the Fabians and particularly Sidney and Beatrice Webb had made fairly detailed proposals on, for example, the acquisition by the civil service of new skills in statistics and managerial techniques. The rest of the thesis shows that Labour Cabinet

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[18] MacDonald at Albert Hall rally on 8 January, reported in *The Times*, 9 January 1924.
[19] HC Debates, 29 May 24, vol 174, col 651.
[20] HC Debates, 22 May 1924, col 2509.

Ministers in 1924 – even including Sidney Webb himself – did not give the nature and structure of the civil service any serious consideration while in office.

There was a lack of thinking about, and almost a deliberate absence of interest in, how Labour governments might approach co-ordinated action to assist society and the economy. There were a few scattered suggestions from Labourites, though none from Cabinet Ministers. In January 1924 Clifford Allen, the Chairman of the ILP, proposed that economists should be enlisted "to draw up the order in which various industries should be nationalised" and that an "economic Domesday Book" should be drawn up to gather detailed information on the nation's industries. And Delisle Burns, the assistant secretary to the joint TUC-Labour research department argued that "one of the chief tasks of the new Labour Government" should be "to obtain a maximum amount of information from the Departments".[21] But none of these suggestions were taken up by Ministers. MacDonald in particular was desperate above all else to appear respectable, not radical even in research, let alone in deed. The only serious work done on nationalisation throughout 1924 was at the insistence of the junior Mines Minister Emanuel Shinwell, who instigated some background work on the nationalisation of the mining industry (which had already been placed under national control during the war). However, when a private member's bill on the subject was introduced to Parliament, Ministers took fright and very publicly disavowed any intention to nationalise the industry![22]

It was Lord Haldane who in 1924 provided the Ministerial impetus for an economic advisory committee. It was left to Treasury officials, not the Labour Government, to point out that "the superiority of official statistics over all privately collected facts as a basis for practical State economics ... can hardly be gainsaid".[23] But the initiative was never prioritised by MacDonald or other Ministers, and it was left to the Conservative Government which followed to take up the idea.

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[21] Middlemas (ed), *Thomas Jones – Whitehall diary*, 19 and January 1924.
[22] Cabinet conclusions 33(24), 15 May 1924.
[23] Cabinet paper 366(24).

Nor were Ministers willing to engage in debate about the nature and structure of the civil service, and what structures and skills might be appropriate for a civil service which, the policies of *Labour and the New Social Order* and successive election manifestoes implied, would over time need to move away from being a 'night watchman state' towards a more interventionist, managerial, service. Even on such traditional Labour questions as conditions of service within departments, the Government was unwilling to take any distinctive line. At the party's October 1924 Conference, Mr WJ Brown of the Civil Service Clerical Association claimed that in refusing to allow an Arbitration Board to consider questions of civil service grading [pay] Philip Snowden "had used arguments ... which would have been a disgrace to a Conservative Chancellor".[24]

Two years later a joint Labour-TUC committee reported to the 1926 Annual Conference its dissatisfaction with Snowden's refusal in 1924, contrary to party policy, to ease restrictions on the participation of civil servants in political activity. (It also commented adversely on Snowden's refusal to give evidence to the committee!) The committee restated the party's existing policy on the subject; that "the general principle of Civil Rights for Civil Servants should be conceded", with exceptions for civil servants who "advise Ministers, who help to shape policy, or who stand in positions of special responsibility towards the public". The committee noted the particular importance of the proposal "in view of the extension, to which we look forward, of the principle of public ownership of industry".[25] In other words, Labour should have been taking steps in order to ensure that the civil service was ready for a large increase in its size and change in its nature when the party began to implement its commitment to greater public involvement in the economy.

In July 1924 Philip Snowden answered a Parliamentary question on whether female and male civil servants should in future receive equal pay for doing the same job. He conceded the case in principle, but contended that the additional

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[24] Report of the 24th Annual Conference of the Labour Party (1924), p 145.
[25] Joint sub-committee of Labour Party Executive Committee and Trades Union Congress General Council, Report on civil rights for civil servants, in Report of the 26th Annual Conference of the Labour Party (1926), pp 44 – 48.

cost could not be justified. Snowden's successor, Winston Churchill, replied in identical terms to Walter Citrine of the TUC exactly one year later. A civil service memo prepared for Churchill at that time put the cost of equal pay for male and female civil servants at £3 million per year for central government; £7 million if teachers were included (some of which would fall to local authorities); and an unknown total amount if the practice spread to private industry. It is perhaps anachronistic to expect more decisive (or, indeed, any) action on this issue, but Snowden having conceded the principle it is worth noting that the direct cost to government of £3 million represented a little over a quarter of one per cent of government income in 1924-25; and was less than the small surplus predicted by Snowden in his April 1924 budget.[26]

In 1924 Tom Shaw had specifically stated that the Labour Government had no interest in recruiting to the Ministry of Labour anyone with particular knowledge from the labour side of the problems with which the department was supposed to be dealing (page 108). In a slightly different context, in the later 1920s MacDonald showed no interest at all in the reforms to the Foreign Office proposed by the party's Advisory Committee on International Questions and figures such as Arthur Ponsonby and Philip Noel-Baker (page 260).

The key conclusions from this section are that the civil service did not, and did not seek to, impede the activities of the first Labour Government; that for their part Labour Ministers tended to be overly deferential towards the civil service they inherited; and that this attitude extended to a refusal to give any thought to the structure of the civil service and the skills which the service might need in future in order to begin to implement the policies to which Labour was committed.

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[26] Some of this surplus was already indicatively allocated to other purposes, eg. enhanced pensions. Churchill to Citrine, 2 July 1925; and civil service memo, 9 July 1925 are in TNA T/172/1465.

4. Labour in the later 1920s and the second Labour Government

The failure of Labour's leaders to use their time in office in 1924 to conduct serious research into the state of the economy, or consider seriously the most effective government structures to boost the performance of the economy, were all the more serious because the experience of office in 1924 had caused the leadership to doubt the effectiveness of some of the policies to which the party remained committed. Specifically, MacDonald and others were fast losing faith in the power of public works programmes to defeat unemployment. However, in the absence of serious consideration of any alternative policies, Labour's leaders did not attempt to communicate these reservations to their supporters, and led the party into the 1929 election with an "unqualified pledge to deal immediately and practically" with the unemployment problem, arguing that the first Labour Government's "record on unemployment is a guarantee that this pledge will be kept", and claiming that only the party's minority status in 1924 had prevented immediate success:

> When the Labour Government was in office it announced to Parliament schemes of a comprehensive and far-reaching character which it had already begun to put into effect. Immediately afterwards both Parties united and defeated the Government! They could not tolerate its continued success.[27]

We have already seen that Ministers' interactions with civil servants in 1924 had a profound effect on their view of what it was possible to achieve through their policies, but that, dismayed, they shied away from confronting this problem honestly. This contributed to a key development in the Labour party from 1924 onwards: the growing gap between the leadership and the party's left-wing.

Even during 1924 Labour Ministers frequently failed to hide their exasperation with the demands of back-bench Labour colleagues for more forward policies. To take just three of dozens of examples, in chapter 3 Clydeside MP David Kirkwood declared his preference for the destruction of "all the Labour Governments that ever were in office" over the Government's inaction on the

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[27] Labour's Appeal to the Nation, 1929.

eviction of poor tenants.[28] In chapter 4 we saw left-wing Labour MPs falling over themselves to criticise the timidity of Labour's policy on unemployment benefits, on which the Government was in fact making genuine improvements for unemployed recipients of benefits, and Tom Shaw responding that he was "getting a little bit tired of the superior person who thinks that in him and him alone virtue resides".[29] And in chapter 5 Ernest Thurtle MP contemptuously asked the Navy Minister CG Ammon whether the Government's much reduced cruiser building programme should be taken as a "great moral gesture to the world".[30] From his perch on the front bench Sidney Webb thought that some Labour MPs "behaved disgracefully" in seeking savage cuts to the armed forces.[31] The real gap on service policy was not between Labour and the other parties, but between the majority of the Labour party and other parties on one side, and a section of Labour's left-wing on the other.

Ramsay MacDonald in particular reacted badly to criticism. In private in 1924 MacDonald complained to Labour-leaning journalists: "what I want is good hearty support, not this superior attitude of criticism"[32] and that "no political party has ever been so badly served by its press".[33] In the closing days of the Government he gave full vent to his feelings in his diary, which came to resemble the apocryphal 'book of bastards' supposedly kept by John Major during his time as Prime Minister. In the space of just two days Neil Machan MP was described as "vain and empty-headed"; George Buchanan MP as "asinine"; George Lansbury MP as "raucous voiced"; and AJ Cook (secretary of the Miners' Federation) as "one of the vainest asses in Christendom".[34]

Departure from office did nothing to ease these tensions. When the Parliamentary Labour Party reassembled after the 1924 election James Maxton proposed that MacDonald be replaced as leader with George Lansbury, though

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[28] HC Debates, 4 April 1924, vol 171, col 2719.
[29] HC Debates, 9 July 1924, vol 175, cols 2319 to 2419.
[30] HC Debates, 21 February 1924, vol 169, cols 1970-1973.
[31] Sidney Webb to Beatrice Webb, 3 March 1924, in MacKenzie (ed), *Letters of Sidney and Beatrice Webb*, p 198.
[32] Angell, *After All*, p 239.
[33] MacDonald diary, 25 September 1924, recording a conversation with HN Brailsford.
[34] MacDonald diary, 30 September and 1 October 1924.

he was supported by only 4 other MPs. In his diary MacDonald dismissed his critics at this meeting not so much as the left wing of the party, but as those who did not obtain Ministerial posts in the Government.[35] In 1925, at the ILP Conference Campbell Stephen claimed of the first Labour Government that "there was not sufficient to differentiate it from Mr Baldwin's Government today". MacDonald was overheard to whisper to a colleague "that damned little swine – Campbell Stephen".[36] Relations deteriorated further when James Maxton was elected ILP chairman in 1926. FW Pethick-Lawrence, writing of his time as a back-bench MP in the 1924 to 1929 Parliament, stated that the constant baiting of MacDonald at party meetings by a band of left-wing MPs made constructive criticism of Labour policies impossible.[37] Henderson and other leaders were thus aided in their attempts to stage-manage party conferences in such a way as to portray and therefore marginalise dissent as 'disloyalty'.[38] MacDonald and Bevin clashed fiercely during the 1925 Annual Conference over Bevin's attempt to commit the Conference to the resolution that "in view of the experience of the recent Labour Government, it is inadvisable that the Labour Party should again accept office whilst having a minority of Members in the House of Commons." The motion was defeated by 2,587,000 votes to 512,000.[39]

As indicated, one key aspect of the gulf that was opening up in the later 1920s between leaders and some supporters was that some of the party's leaders continued publicly to support policies, or allow policies to be propagandised, about which experience of office and officials in 1924 had caused them to have grave doubts.

The outstanding example of this is on the possibility that works programmes could make a substantial contribution to ameliorating the unemployment problem. In the course of 1924 Ministers involved in the issue seem to have become increasingly convinced in private by officials that works would not help,

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[35] MacDonald diary, 3 December 1924.
[36] From Howell, *MacDonald's party*, p 257.
[37] FW Pethick-Lawrence, *Fate Has Been Kind* (London: Hutchinson, 1943), p 149.
[38] From Howell, *MacDonald's party*, p 6.
[39] Report of the 25th Annual Conference (1925), p 244.

and that 'unremunerative' expenditure on works would actually inhibit the development of the economy by private enterprise. But this change of heart was not communicated to supporters, Labour's minority position in 1924 being used to explain away the Government's failure to reduce the number of unemployed, and to avoid a proper re-assessment of Labour's policies on unemployment.

There was no serious consideration of how to make a works policy effective, for example by initiating planning work to overcome the many administrative difficulties encountered in 1924; or in examining alternative ideas to find a new theoretical underpinning for active policies which could meet orthodox criticisms of spending money in a tight economic climate.

The potential of a loan-financed works programme to tackle the economic crisis of 1929 to 1931 has long been the subject of fierce argument between historians. During the high tide of Keynesian economic thought in the 1950s and 1960s it was generally assumed that a major works programme, along the lines proposed by David Lloyd George in the Liberal proposal *We Can Conquer Unemployment*, or by Labour's Oswald Mosley in the 'Mosley memorandum' of early 1930, could and should have been pursued by the second Labour Government.[40] The apparent breaking down of Keynesian policies of demand management in the 1970s led to a re-evaluation of the 1929-1931 crisis, and historians such as McKibbin began to argue either that the necessary theoretical underpinning to a major works programme had not been developed by 1931, or that in any case such a programme would have been doomed to failure: the second Labour Government had actually been right all along to seek to reign in expenditure and attempt to sit out the worst of the recession.[41] The debate has been continued by historians such as Laybourn, who have disputed McKibbin's assertion that there were no viable alternative policies, citing the work already done by politicians and economists including Morrison, Mosley

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[40] For example, Skidelsky, *Politicians and the Slump.*
[41] McKibbin, "The Economic Policy of the Second Labour Government 1929-1931"; and, for example, Booth and Glynn, "An administrative experiment in unemployment policy in the 1930s".

and Keynes.[42] Another strand of historical thinking has suggested that the most profitable policies would have been to concentrate on supply rather than demand; and that 'supply-side' policies aimed at promoting the rationalisation of British industries, and assisting the development of newer industries such as car and chemical manufacture in order to take up some of the slack being paid out by the declining staple industries, would have been the most effective response to the slump.[43]

Experience of office in 1924 indicated to Labour's leaders that something was lacking in its flagship policy to cure the problem of unemployment. Even with a Parliamentary majority, Labour's leaders did not believe that works would make a major contribution to cutting unemployment. They accepted the economically orthodox view that expenditure on public works was essentially 'wasted' spending, which did not contribute to the economic wellbeing of the country. But because Labour had something that looked and sounded like a policy, the party failed to give serious consideration to alternative approaches such as leaving the gold standard, or supply-side policies of rationalisation for struggling industries, and targeted assistance for developing industries. Any serious supply-side interventions would have required a much more active investigation of the state of British industries than anything undertaken in 1924; and a fundamental re-examination of the skills needed of civil servants in order to drive industrial re-organisation. Such work could, and should, have fed directly into the aim of a Labour government to increase the capacity of the state to manage the nationalisation of industries, whatever precise ownership and management model was eventually chosen for those industries.

The lack of work in 1924 or in the later 1920s on the institutional structure of the civil service; and the failure of Labour's leaders to engage in real dialogue about the party's performance in office in 1924, meant that any future Labour administration would inevitably be hampered by the inability of Ministers to translate principles into meaningful policies. A growing chasm separated what

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[42] Laybourn in Laybourn and James, *Philip Snowden.*
[43] Wrigley, "The Ministry of Munitions: an Innovatory Department", p 48, in Burk (ed), *War and State*; and Aldcroft, *British Economy: Volume I*, p 7.

senior Labour Ministers would in reality do in response to a given set of circumstances, and what their supporters would expect them to do. This had disastrous consequences during the second Labour Government, when the party's supporters expected it to meet rapidly increasing unemployment with a vigorous and bold programme of public works to provide employment, while the party actually responded by battening down the hatches.

5. Historical themes

The history of the first Labour Government provides valuable perspectives on some of the key historical debates concerning the inter-war period. The events of 1924 help to explain, at least in political and administrative terms, how Labour came to replace the Liberals as the main progressive party competing against the Conservatives. 1924 showed that the sky would not fall in on the advent of a Labour Government, and that the party was capable of pursuing moderate progressive policies both domestically and internationally.

At the start of 1924 the Liberal party had helped to turn the Conservatives out, and to put Labour in to power. But very soon, Labour Ministers became far more often frustrated with the equivocal attitude of the Liberals than the 'honest opposition' of their Conservative shadows. As early as February MacDonald was complaining in private that the Tories "like[d] us better" than did the Liberals, and that he could not "accept a position of dependence on the Liberal party".[44] In his diary MacDonald recorded of the Liberals: "I hoped we might draw together ... [but] they grow mean and petty, rent with personal rivalry, and hating us in their hearts".[45]

To take one policy example of the difficulties between Labour and the Liberals, throughout 1924 the Labour Government struggled to resolve a simmering dispute over how to settle the border between newly independent Ireland and Ulster. MacDonald objected far more to the 'opportunistic' attitude of David Lloyd George and Sir John Simon than that of the Conservatives, despite the

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[44] Wilson, *Diaries of CP Scott*, 3 February 1924.
[45] MacDonald diary, 3 February 1924.

fact that before the war the Liberals and Labour had lined up together in support of Home Rule against the Conservative and Unionist Party.[46] MacDonald blamed the Liberal party first and foremost for attacks on the Russian treaties, and by September the Liberal party had for the Prime Minister become a "contemptible coterie with a lazy old man at their head".[47]

It was not just personal differences that caused problems between the two progressive parties. The logic of the situation in the Commons made it inevitable that the Liberals would make a show of offering conditional support to the Labour Government, and then seek to extract maximum concessions from them while offering minimum active support, while the Conservatives would in general seek simply to oppose government policies and set out an alternative course of action. The increasingly fractured nature of the Liberal party, meaning that Liberals could often be found voting in both lobbies of the House of Commons, reinforced MacDonald's view that the party could not be relied upon and that its days as an effective political force were numbered.

The Labour party's experience in office in 1924 ensured the triumph of the view that Labour must not seek an accommodation with the Liberal leadership, and that Labour should instead pursue a strategy of courting Liberal voters but seeking the destruction of the Liberal party as an institution.

In terms of relations between the political and industrial wings of the movement, the first Labour Government helped to show that a Labour administration would inevitably hold different views from the trade unions on certain issues. For example, as shown in chapter 2, Wheatley avoided outright support of striking dockers and refused to countenance financial assistance for the most necessitous poor law authorities. This recognition helped to ease the potential conflict between the PLP and the TUC during the 1926 general strike. The simple fact that the party had taken office only two decades after its foundation also served to increase the faith of the trade unions in the possibility of effecting change through Parliament rather than direct action.

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[46] Paul Canning, *British Policy Towards Ireland, 1921-1941* (Oxford: Clarendon, 1984), pp 95-100.
[47] MacDonald diary, 27 September 1924.

Within the Labour movement, the fact that the party had gained office, and the moderate success of the Government, helped to strengthen the hand of those who supported constitutionalism, and concentrated on winning power through Parliament, over those who favoured direct action. Having tasted Ministerial office, even the tumult surrounding the 1926 general strike could not knock the Labour movement and its leaders off its overwhelmingly parliamentary course.

6. Relationships between governments and their civil servants

The approach taken in this thesis, of a detailed examination of the inter-play between Ministers and civil servants, could profitably be used to examine the policies followed by other administrations. This approach would essentially represent a synthesis between traditional political histories and the administrative or departmental histories of, for example, Lowe on the Ministry of Labour, Maisel on the Foreign Office, or Kirk-Greene on the colonial service.[48]

It seems likely that the methods used in this thesis would yield the best results for administrations from the end of the first world war to the late twentieth century. Before the war many departments, or registries within them, were not sufficiently developed to maintain detailed records. Furthermore, the printed matter, annotated through the minuting system, which was central to this thesis would be unlikely to be available across a sufficient range of policy areas or departments. Looking to the other end of the century, there will certainly be a mountain of diaries and memoirs – the other cornerstone of the study – of the Labour governments since 1997, but it may prove that the institution of strict records management policies will lead to the destruction of much material that might have proved of interest to the historian. Three other trends; the increasing liability of documents not intended for publication to be released under the new Freedom of Information regime, leading perhaps to fewer controversial points being committed to paper; the greater use of electronic

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[48] Lowe, *Adjusting to Democracy*; Maisel, *Foreign Office and Foreign Policy, 1919-1926*; AHM Kirk-Greene, *On Crown Service: A history of HM Colonial and Overseas Civil Services 183?-1997* (London: IB Tauris, 1999).

communications media in which messages are less likely to be retained long-term; and, finally, a possible tendency for policies to be settled by Ministers and their advisers outside the normal 'departmental' channels, might mean that a historian would need to develop different methods to conduct a similar study of more recent administrations.

Beloff has claimed that the inter-war period "is one in which the higher civil service in Britain probably reached the height of its corporate influence".[49] It is very difficult, probably impossible, to identify a base of evidence which could support such broad statements as these. But it has been possible in this thesis to identify clear and specific evidence of the working relationships which developed between a Minister and a particular department; or on a certain policy between a set of Ministers on the one hand and the relevant civil servants on the other, and to construct a detailed picture of the relationships during one administration. The detailed study of a relatively short period of time is a good way to start assessing some rather grand claims.

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[49] Beloff, "Whitehall Factor", p 210.

Appendix - The Labour Ministers, 1924

Cabinet Ministers

Prime Minister and Foreign Secretary	Ramsay MacDonald
Lord Chancellor	Viscount Haldane
Lord Privy Seal and Deputy Leader of the Commons	JR Clynes
Lord President	Lord Parmoor
Chancellor of the Exchequer	Philip Snowden
Secretary of State for Home Affairs	Arthur Henderson
Secretary of State for the Colonies	JH Thomas
Secretary of State for War	Stephen Walsh
Secretary of State for India	Lord Olivier
Secretary of State for the Air	Lord Thomson
Secretary of State for Scotland	William Adamson
President of the Board of Trade	Sidney Webb
President of the Board of Education	CP Trevelyan
First Lord of the Admiralty	Lord Chelmsford
Minister of Health	John Wheatley
Minister of Agriculture and Fisheries	Noel Buxton
Minister of Labour	Thomas Shaw
Postmaster-General	Vernon Hartshorn
First Commissioner of Works	FW Jowett
Chancellor of the Duchy of Lancaster	Colonel Josiah Wedgwood

Ministers not in the Cabinet

Minister of Pensions	FO Roberts
Minister of Transport and Paymaster-General	Harry Gosling
Civil Lord of the Admiralty	Frank Hodges
Attorney-General	Sir Patrick Hastings KC
Solicitor-General	Sir HH Slesser KC
Financial Secretary to the Treasury	William Graham
Financial Secretary to the War Office	JJ Lawson
Chief Whip	Ben Spoor
Under-Secretary of State, Air	William Leach
Under-Secretary of State, Colonies	Lord Arnold
Under-Secretary of State, Foreign	Arthur Ponsonby
Under-Secretary of State, Home	Rhys Davies
Under-Secretary of State, India	Robert Richards
Under-Secretary of State, War	Major CR Attlee
Under-Secretary of State, Health for Scotland	James Stewart
Parliamentary Secretary, Admiralty	CG Ammon
Parliamentary Secretary, Agriculture and Fisheries	Walter R Smith
Parliamentary Secretary, Education	Morgan Jones
Parliamentary Secretary, Health	Arthur Greenwood
Parliamentary Secretary, Labour	Margaret Bondfield
Parliamentary Secretary, Pensions	JW Muir
Parliamentary Secretary, Board of Trade	AV Alexander
Parliamentary Secretary, Mines	Emanuel Shinwell
Parliamentary Secretary, Overseas Trade	William Lunn
Lord-Advocate (Scotland)	HP Macmillan KC
Solicitor-General (Scotland)	JC Fenton KC

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